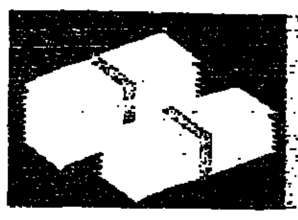
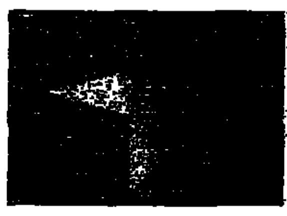
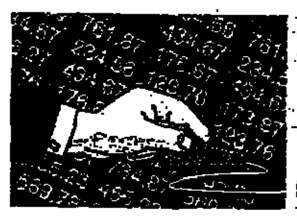
FINANCIAL TIMES



Private banking
A tradition under assault
Page 17



Not yet a tiger
Vietnam needs reform not money
Page 16



Back to the future
Using the past to solve problems
Page 13

Russian saga
How Aviacor led the way
Page 3

World Business Newspaper — TUESDAY FEBRUARY 7 1995

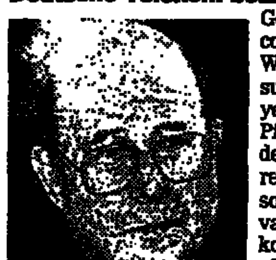
IMF delegates set to leave Moscow with no loan deal

An International Monetary Fund delegation is due to leave Moscow today without a final agreement on a $6.25bn standby loan. Early agreement with the IMF is crucial for Moscow, which has built its 1995 budget on the assumption that it will get substantial western help. But although the latest round of talks failed to produce a deal, western diplomats and economists say there are still good prospects of an agreement in the next few weeks. Page 3

France makes start on Usinor sell-off: The French government invited applications for banks to advise on the sale of state-owned Usinor Sacilor, Europe's biggest steel producer. Industry observers foresee a sale later this year. Page 19

UK power sale price set: The British government set prices for the £4bn ($6.25bn) sale of its stakes in the country's two biggest power generators. National Power shares will be set at 170p and PowerGen shares at 185p. Page 18 and Lex; Joe Rogaly, Page 16; Editorial Comment, Page 17

Deutsche Telekom board member quits



German post and telecommunications minister Wolfgang Bötsch (left) suffered embarrassment yesterday when Gerhard Pfeffermann, one of his deputies, was forced to resign from the supervisory board of newly privatised Deutsche Telekom. The move came after several big German companies which hope to compete with Telekom complained that Mr Pfeffermann could not simultaneously work on liberalising the country's telecoms and represent the state-owned monopoly concern. Page 18

Guru runs for top Tokyo post: Kenichi Ohmae, Japan's best-known management guru, is to contest the governorship of Tokyo, one of Japan's most powerful political jobs. Mr Ohmae is author of *The Borderless World* and former chairman of the Tokyo office of US management consultancy McKinsey. Page 18

Guilty plea in NY bomb plot: Siddig Ibrahim Siddig Ali, alleged mastermind of the plot to bomb the UN building and others in New York, pleaded guilty and read a statement implicating his alleged co-conspirators. Defence lawyers said they were considering whether to seek a mistrial.
Page 8

Texas Instruments-Acer: The Taiwanese chip maker plans to invest $1bn to build a memory chip plant using the advanced technology. Page 19

Russians claim advance: Russians said they crossed Grozny's important Sunzha River and claimed to have gained ground in the south-east of the Chechen capital.

Norwegian royal jewels stolen: A diamond tiara and other jewellery belonging to Queen Sonja of Norway were among items stolen from the London shop of jeweller Garrards in a weekend robbery that netted gems worth £250,000 ($393,900).

McDonnell Douglas may halt MD-11 line: US aircraft manufacturer McDonnell Douglas may have to stop making its biggest aircraft, the 300-seat MD-11, for part of next year because of a shortage of orders. Page 22; Britain flies into flak, Page 2

Austria condemns racist incidents: Austria condemned the weekend killing of four gypsies and yesterday's wounding of another man in attacks described by police as racially motivated. The government said the attacks were attempts to destabilise democracy and damage Austria's image abroad.

Space encounter: The crews of Russia's Mir space station and the US shuttle, Discovery, waved to each other in the first meeting of American and Russian spaceships for 20 years. Discovery stopped 37ft from the Russian space station.

Praying for rain: Roman Catholic bishops from six rain-starved provinces of southern Spain ordered "collective prayer to plead for rain". Five years of minimal rainfall as reduced Andalucia's reservoirs to 10 per cent of capacity.

Fire service criticised: Fire deaths and losses in England and Wales could be halved if government policy on the fire service were reformed, according to the UK's Audit Commission. Page 12

Free flights for the jobless: French airline Air Liberté is to offer free seats to jobless people travelling to job interviews. The move is part of a price war with state-owned Air Inter, which has cut business class fares.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	3,933.02	(+4.38)
NASDAQ Composite	776.73	(+4.67)
Europe and Far East		
CAC40	1,872.11	(-29.68)
DAX	2,089.69	(-31.70)
FT-SE 100	3,062.0	(+2.3)
Nikkei	18,967.2	(+128.26)

US LUNCHTIME RATES

Federal Funds	6%
3-mth Treas Bills: Yld	5.954%
Long Bond	$98\frac{7}{32}$
Yield	7.646%

OTHER RATES

UK: 3-mo Interbank	$6\frac{1}{2}$%	(same)
UK: 10 yr Gilt	$99\frac{1}{2}$	($99\frac{7}{32}$)
France: 10 yr OAT	96.34	(96.22)
Germany: 10 yr Bund	99.69	(99.85)
Japan: 10 yr JGB	96.399	(96.369)

NORTH SEA OIL (Argus)

Brent 15-day (Mar)	$17.05	(17.16)

GOLD

New York: Comex		
Feb	$376.3	(376.8)
London:		
close	$375.8	(375.9)

DOLLAR

New York lunchtime		
£	1.58	
DM	1.5295	
FFr	5.297	
SFr	1.29425	
Y	99.275	
London:		
£	1.58	(1.5649)
DM	1.5309	(1.525)
FFr	5.3057	(5.296)
SFr	1.2962	(1.2901)
Y	99.355	(99.675)

STERLING

DM	2.3882	(2.3864)
Tokyo close:	Y 99.55	

ustria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00		
hrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11		
lgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30		
lgaria	Lv100.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	KSL60		
prus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00		
ech Rp	CZK56	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225		
nmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17		
ypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.80		
tonia	EKr 30	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00		
nland	FM15	Kuwait	Fils625	Portugal (m'land)	Es230	Tunisia	Din1.500		
ance	FFr10.50	Lebanon	US$1.50			Turkey	L40,000		
rmany	DM3.80	Lux	LFr70			UAE	Dh12.00		

Clinton budget spares social services spending

Congress Republicans face battle over curb on cuts

By George Graham in Washington

US president Bill Clinton challenged the Republican-dominated Congress to a political fight yesterday with budget proposals that include limited spending cuts but preserve social security spending levels and offer the middle classes a tax break.

Leading congressional Republicans promptly retorted that Mr Clinton's 1996 budget "lacked courage" because it had scarcely touched social security entitlements. Those account for 48 per cent of total spending, a growing figure, and are blamed for the long-term deficit in the US.

Congressman John Kasich, chairman of the House of Representatives budget committee, said Mr Clinton had "shown no interest in doing the heavy lifting needed to eliminate our budget deficits".

Mr Clinton was confident that he had the right combination: "My budget cuts spending, cuts taxes, cuts the deficit and does not cut education, or social security, or medicare. That is a good budget."

He sent a 1996 budget to Congress that would increase federal government spending by 4.8 per cent to $1,612.1bn in the fiscal year starting on October 1. Under the Clinton budget proposal, the federal deficit would grow from $192.5bn this year to $196.7bn in 1996 and $213.1bn in 1997, before stabilising around $196bn in 1998-2000.

Congress will begin debating the budget outlines this week, and the proposals must be passed by mid April. More detailed spending proposals will be debated in 13 separate appropriations bills and are due to be finalised by the end of September.

Meanwhile, the Republicans have passed in the House and begun debate in the Senate on a constitutional amendment requiring a balanced budget by 2002, but have not yet produced their plans for reaching a zero deficit.

It is no accident that Mr Clinton's budget does not attempt to deal with entitlement spending. The administration is determined to leave it to the Republicans to propose cuts in the popular middle-class entitlement programmes of social security and medicare, which are inevitable if the US is to reach a balanced budget. The Clinton administration has not supported that goal.

Spending cuts proposed by the administration to pay for tax cuts and spending increases and to bring down the deficit are focused on "discretionary" spending.

They include $26bn of savings from a sweeping reorganisation of the departments of Energy, Transportation and Housing and Urban Development, as well as $7.3bn from privatising government energy agencies and stocks.

Ms Alice Rivlin, director of the Office of Management and Budget, said the administration's budget proposal would keep the deficit under control. She forecast that it would fall in proportion from 4.9 per cent of gross domestic product in 1992 to 2.1 per cent by the end of the decade.

The forecasts assume that the US economy will experience a "soft landing," with growth moderating to 2.4 per cent this year and remaining around 2.5 per cent in subsequent years. The administration projects that inflation will peak at a relatively low 3.2 per cent in the 1995-98 period and then fall.

The budget includes the tax cut proposal which Mr Clinton calls his "Middle-Class Bill of Rights", which would provide a $500-a-child tax credit for families earning less than $75,000 and other tax benefits for education, long-term care and retirement saving.

Clinton budget a manifesto to middle classes, Page 6

Polish president Lech Walesa at a news conference after he called for the resignation of prime minister Waldemar Pawlak and a major reshuffle of the present coalition government. Walesa accused Pawlak of incompetence and said his government was making little progress on reform - Page 2; Editorial Comment, Page 17 Reuter

Rush to take profits hits commodity markets

By Kenneth Gooding and Robert Chote in London

Speculators around the world pulled their money out of commodities markets yesterday, sending prices of everything from copper to cocoa plunging.

Investment funds, mainly based in the US, have helped to drive up commodities prices sharply in the past 15 months. They have now decided to take some of their huge profits and move their money into reviving bond and equity markets.

"The investment funds seem to feel the party is over for metals and other commodities," said Mr Jim Lennon, analyst at Macquarie Equities, part of the Australian banking group.

He said the funds' decision to sell was triggered on Friday by employment statistics which indicated US economic growth was slowing. Recent increases in interest rates would hit two big metals users, the car and construction industries, by leading to slacker demand.

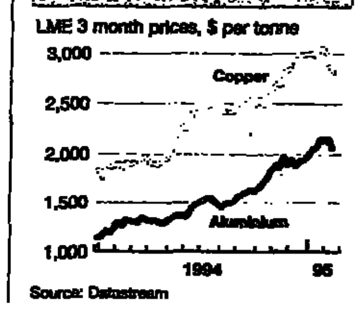
The funds set off a worldwide rush out of base metals. Prices fell in the Far East yesterday on the first trading day after the Lunar new year holiday, which set the tone when trading opened in London. But some bargain-hunting helped to steady prices on the London Metal Exchange. By the close some metals had made impressive rallies.

Many observers suggested that metals markets had been overheated for some time and needed

Continued on Page 18
Lex, Page 18; Commodities, Page 27, London stocks, Page 34; World stocks, Page 38

Metal prices

LME 3 month prices, $ per tonne



Source: Datastream

China and US agree on talks to avert trade war

By Tony Walker in Beijing and Nancy Dunne in Washington

The US and China will return to the bargaining table next week in an attempt to avert a trade war over Beijing's failure to prevent copyright piracy.

With the US set to impose sanctions if no agreement is reached by February 26, the two sides yesterday agreed to meet on February 13 in Beijing to resume negotiations which stalled late last month.

Mr Mickey Kantor, the US trade representative, announced on Saturday the proposed punitive tariffs of 100 per cent on $1.08bn of Chinese imports annually, the largest US action against a trade partner.

Beijing responded by threatening retaliation, including the suspension of negotiations on new car projects with US manufacturers, and 100 per cent tariffs on imports such as cigarettes and cosmetics.

Yesterday, however, Mr Kantor said he had received a letter from Ms Wu Yi, the Chinese trade minister, indicating Beijing's readiness to resume talks. "We are delighted and impressed by the rapid response of the Chinese," he said.

Mr Kantor said he expected the Chinese to come to the table prepared to address US concerns over the protection of intellectual property rights in fields including computer software, chemical and agricultural products, pharmaceuticals, trademarks, audio-visual works and books and periodicals.

He laid out three US goals, which suggest some softening of Washington's stance. The first is "effective immediate measures to curb piracy, including raids on major compact disc producers," though he did not demand the closure of 29 pirate factories in southern China.

Mr Kantor said the US wants "structural changes to improve intellectual property protection over time", which for the first time takes into consideration China's status as a developing country.

But Mr Kantor wants moves to create a border enforcement regime, institute a copyright verification system and improve access to courts for intellectual property disputes.

The final US demand is on market access for intellectual property-based products. At present, the Chinese government allows the distribution of 10 popular US films a year. The remainder of the US films circulating in China are smuggled in and copied.

Mr Kantor said there would be a 22-day grace period for negotiations. In previous Sino-US trade disputes involving threats of sanctions, the two sides have invariably reached an 11th-hour compromise.

Sino-US trade last year reached about $50bn, heavily in China's favour.

In the first 10 months of the year Chinese exports to the US reached $32.5bn, compared with imports from the US of $7.8bn.

The US is the third biggest investor in China after Hong Kong and Taiwan. US business had pledged about $20bn in investment by the end of last year.

US producers of music products, films, computer software, books and magazines estimate that Chinese piracy is costing US business about $1bn a year in lost revenue.

WTO warns on trade curbs, Page 10

NEC-Samsung link-up will produce chips for Europe

By Michiyo Nakamoto in Tokyo and Alan Cane in London

NEC, the Japanese electronics company, and Samsung of South Korea, the world's largest producer of semiconductor memory chips, will collaborate for the first time to produce memory chips for the European market.

The deal illustrates the growing interdependence of the world's large semiconductor manufacturers.

Two years ago, there was bitter rivalry between Japanese and Korean chipmakers in an over-supplied market. Today, with demand for semiconductor memory growing at 60 per cent a year, companies need to pool their resources to meet both a growing need for computer power, and for research and development.

NEC said the strengthening of ties with the Korean company would have long-term implications. The two have already agreed to exchange information on developing next-generation 256-megabit D-Rams – four times the capacity of the existing biggest chip – to reduce the burden of development costs. The European market for D-Rams of all sizes is likely to reach $5bn this year.

The link-up, which will enable Samsung to avoid duties of 14 per cent on memory chips imported into the European Union, will provide both companies with extra supplies of scarce 4-megabit D-Rams, the present industry standard.

D-Rams, or dynamic read and write memory chips, are the basic building blocks of memory systems used in electronic equipment such as personal computers, telephone handsets and consumer goods, as well as in supercomputers and telecommunications switches.

NEC has agreed to supply Samsung with some 100,000 chips a month in the form of wafers – discs of silicon with the electronic circuits imprinted on them, ready to be sliced into individual chips. The wafers will be manufactured at NEC's wafer plant in Livingston, Scotland.

It is understood that Samsung, which has no full manufacturing facility in Europe, will process and assemble chips in Portugal, where it has been testing memory chips for its products. NEC said yesterday that it could eventually supply the Korean company with 16-megabit and 64-megabit D-Rams for processing and assembly – used at the cutting edge of technology.

Industry analysts said yesterday that the tariff saving was not likely to be an important element of the deal in the light of strong demand for D-Rams from a buoyant personal computer industry.

Samsung's plans to expand its memory business in Europe come a few weeks after reports that it is to establish a $1bn wafer fabrication plant in the US to produce 16 and 64-megabit memory chips.

CONTENTS

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NEWS: EUROPE

Catalan leader seeks period of peace during Madrid's presidency of the EU

Pujol brokers Spanish political truce

By Tom Burns in Madrid

Spain's main political parties are exploring a tacit agreement to avoid early elections during Madrid's presidency of the European Union in the second half of this year.

Mr Jordi Pujol, the Catalan nationalist leader, who appears to be brokering the consensus, has served notice that he will back the minority Socialist government when Mr Felipe González, the prime minister, opens a two-day state of the nation debate tomorrow but that he will not oppose a general election early next year.

Opinion polls suggest that election will see the conservative opposition Partido Popular (PP) replacing the Socialists as the largest political party.

The Catalan nationalists hold the key to Mr González's stability. They make up for his party's shortfall in parliament and have ensured the safe passage of the last two budgets.

Mr Pujol's ideas on government support now and the possibility of elections next year – in theory Mr González's term does not end until the summer of 1997 – were explained at a recent briefing in Barcelona that amounted to the clearest exposition to date of his mid-term political strategy. He was scheduled to put them to Mr José María Aznar, the PP leader, at a meeting in Madrid yesterday.

If the ideas are adopted by Mr Aznar, the political clashes that have been brought on by a string of government scandals will to a large extent be curtailed and market pressures on Spain should ease. Mr Pujol termed the conservative leader as "the only viable alternative" to Mr González and said the PP was "a guarantee that Spain is not like Italy, where the party system has for the moment been destroyed".

"Mr González has a problem with the press, with the judiciary and with the markets, but he does not have problems with a parliamentary majority," Mr Pujol said. Although he believes the prime minister has been "hit in the wing" and that the "Socialist trademark does not sell any more", he said the government was worth backing in part to ensure a successful EU presidency and in part to aid Spain's incipient economic recovery.

Once the EU presidency was over, however, "general elections will be useful". Mr Pujol, premier since 1980, is likely to bring forward Catalan polls from the spring of 1996 to next autumn in order to avoid their coinciding with a nationwide vote.

Stressing that German federal elections had hampered the past EU presidency and that the French presidential elections were hampering the the present one, he said it was important to have a "poll-free" Spanish presidency run by an experienced administration headed by Mr González.

He said, however, that "pro-business economic policies", which he hopes Mr González's government will adopt in the course of this year, could be insufficient to sharpen Spain's competitiveness and that a government prepared to take "unpopular measures" would be required.

Mr Pujol said he wanted to improve Mr Aznar's understanding of the "Catalan reality" but that there were areas of common ground on economic policy. "It is legitimate for Mr Aznar to hide his economic cards because if he is specific, he will lose votes."

Expert study urges policy change to reduce high unemployment rate

Sustained annual economic growth of 5 per cent and the creation of 400,000 jobs a year are needed to lower Spanish unemployment from 25 per cent today to 5 per cent a decade from now, argues a report published by the London-based Centre for Economic Policy Research*.

The principal change in policy for demand would be to target monetary policy towards non-inflationary growth, away from the exchange rate, writes Martin Wolf. Two major changes are also recommended in policy for the supply side: elimination of most restrictions on the firing of workers; and moves towards company-level collective bargaining, combined with reactivation of national agreements during the transition to low unemployment.

The report was prepared by an international team, under the direction of Olivier Blanchard of the Massachusetts Institute of Technology, Cambridge, Massachusetts, and Juan F. Jimeno of FEDEA, Madrid. Other authors include Nobel laureate Robert Solow of MIT, Edmond Malinvaud of Insee-Crest, Paris, Charles Bean of the London School of Economics and Dennis Snower of Birkbeck College, London.

The report's analytical basis is the argument that unemployed workers do not significantly affect the wage demands of those who are securely employed. The effect of unemployment on inflation is particularly weak in Spain: in the past inflation has started to accelerate when unemployment was as high as 16 per cent.

High costs of firing protect the securely employed insiders, reducing the effects of unemployment upon them. The introduction of fixed-term employment contracts may even have had perverse effects, by further insulating those with long-term job security.

The report denies that the level of unemployment benefits still needs to be altered. Equally, it argues that there is no longer a need to redistribute income away from labour towards capital. These facts should, it suggests, make it easier to achieve a social pact that would deliver low wage inflation in return for lower unemployment.

**Olivier Blanchard et al, Spanish Unemployment: Is there a solution? Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB (tel – 441717349110); Consejo Superior de Cámaras de Comercio, Industria y Navegación. C/Claudio Coello, 19, 28001, Madrid, Spain (tel – 3415753400).*

Walesa wants reshuffle and new premier

By Christopher Bobinski in Warsaw

Poland's president Lech Walesa yesterday called for the resignation of prime minister Waldemar Pawlak and a reshuffle of the coalition government composed of the ex-communist Left Democratic Alliance (SLD) and Mr Pawlak's own Peasant party (PSL).

Mr Walesa accused Mr Pawlak of incompetence and said his government was making little progress in reforming the country. "Either you change the government and the ministers," he told leaders of the parties represented in parliament, "or I will take decisions. For the good of the country, go," he said.

"This government finds itself standing permanently at a yellow light," he added. He explained his delay in approving this year's budget was designed as a protest against the government's "fiscalism and the growing impoverishment of the population".

But at the same time an angry Mr Walesa appeared to withdraw his threat to dissolve parliament, assuring that he "would never do anything to break the constitution".

The statement came in response to a resolution by parliament at the weekend saying the president had no right to dissolve parliament and that he would be impeached if he attempted to do so.

Mr Walesa's demand for a reshuffle is backed by the SLD. Its leader, Mr Alexander Kwasniewski, who currently holds no government post, has said the style of the present administration has to change. The SLD last week called on Mr Pawlak to resign.

Mr Kwasniewski, emboldened by an endorsement from Mr Walesa, who has said that the SLD leader would be more "efficient" than the Mr Pawlak, said it was logical that the leader of the SLD, as the larger party in parliament, should head the government.

The present coalition came to power after elections in 1993. The SLD with its 167 deputies and the PSL with 131 supporters control two-thirds of the seats in parliament.

Mr Pawlak, secure in the support of his own parliamentary deputies, has decided to ignore the calls for his resignation and wait for a meeting of his party's national leadership on Friday to plan a response.

Yesterday he told his critics they could table a motion of no confidence in the government at the next session.

Mr Pawlak's advisers hope the delay will give the SLD time to think again and return to the political arrangement of the past 18 months which has seen the PSL at the helm of government. They are, however, offering Mr Kwasniewski the post of deputy premier and foreign minister. Mr Pawlak knows that should he fail to budge, the SLD will either have to remain in the coalition or start a search for new coalition partners among the smaller Solidarity-rooted opposition parties.

Editorial comment, Page 17

Ministers reach agreement in principle on relations with Turkey

EU customs deal takes shape

By Lionel Barber in Brussels

European Union foreign ministers last night agreed in principle a deal which would lift Greece's veto on an EU-Turkey customs union in return for a timetable for Cyprus joining the European Union around the turn of the century.

The agreement is subject to approval by the governments of the 15 member states of the EU but Mr Alain Juppé, French foreign minister, was optimistic the deal would be sealed. The European initiative amounts to the most promising effort to break the deadlock over Cyprus which has existed since 1974 when the Turkish army invaded the island in response to a Greek Cypriot coup backed by Athens.

One of the driving forces is concern about political and economic instability in Turkey, a Nato member which plays a crucial part in guarding the alliance's south-eastern flank against Iran, Iraq and Russia.

France, which holds the rotating EU presidency, has led in stressing Turkey's geo-strategic importance. But the UK, among others, is wary of explicitly breaking the understanding that EU accession for Cyprus cannot take place in the absence of a political settlement between Greek and Turkish communities.

A UK official said it was vital to maintain pressure on all parties to reach agreement on a bi-zonal federation in Cyprus leading to a reduction in the Turkish garrison in northern Cyprus. "We don't want to import the Cyprus problem into the EU," he said.

Belgium, Germany and Spain expressed disquiet about a French formula for compromise which offers to start accession negotiations with the Greek Cypriot government "no later than six months" after the conclusion of the 1996 intergovernmental conference to review the Maastricht treaty, "taking into account the results of the conference". This is intended to ensure that the present members of the Union agree to institutional changes such as streamlined decision-making and reducing the size of the European Commission, before opening enlargement negotiations.

But Belgium is worried about opening expansion negotiations before all member states have ratified the new treaty – dubbed "Son of Maastricht" – which is likely to emerge from the IGC.

Germany, chief sponsor of enlargement to central and eastern Europe, has reservations about a fast track to membership for Cyprus ahead of the Czech republic and Slovenia, for example. Bonn also knows such an offer would require equal treatment for Malta, the most economically advanced candidate.

Greek ministers were last night consulting with Athens over the wording of the text which covers a Greek commitment to lift its 14-year-long veto on an Ecu1bn (£780m) financial aid package to Turkey. The customs union – which contains protection for EU agriculture and Turkey's industrial sector – is expected to be signed at an EU-Turkey meeting on March 7 and would take effect next year.

Brussels to defend Hualon aid

By Emma Tucker in Brussels

The European Commission says it is satisfied with the accuracy of evidence from the British authorities regarding a controversial decision to give £61m ($95m) aid to a Northern Ireland textiles plant, and will defend the grant on the basis of this information.

It faces a long fight in the European Court with EU textiles and clothing manufacturers which claim Brussels broke its own rules in approving the aid to Hualon, one of Taiwan's biggest industrial groups, last year.

They believe the £157m plant will add capacity and threaten jobs in an already oversupplied sector. The Commission responds, on the basis of UK government evidence, that the plant – forecast to create 1,800 jobs – will make high volume, low quality products that will not threaten existing producers.

Presentation of the Commission's defence was delayed after doubts were raised about the evidence supplied by the British government. It has until March 1 to present its arguments. The doubts surfaced amid persistent allegations from the industry that Hualon intended to undercut existing manufacturers by producing high quality goods.

Mr Karel Van Miert, competition commissioner, wrote to the UK authorities at the end of last year demanding reassurances and clarification. He also asked them to confirm original submissions on how the plant would be legally structured in Belfast.

Last November, Mrs Jennifer D'Abo, a director of Northern Ireland's Industrial Development Board, resigned because the board, responsible for the Hualon project, failed to give her satisfactory information about the legal and financial arrangements for the deal.

Extra doubts about the project arose following disclosures of court proceedings against two Hualon executives in Taiwan over alleged share fraud.

A Commission official said yesterday: "Mr Van Miert got a commitment from the British government that all the information it supplied was right."

The case, when it finally comes before the court, is likely to take more than a year to produce a verdict in what is seen as one of the Commission's most controversial state aid cases.

Brussels approved the Belfast project on May 4 last year after a 10-month investigation. The decision was judged to have been politically influenced and officials conceded at the time that it would probably have been turned down if considered strictly on competition criteria.

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Britain flies into flak over FLA role

France is suspicious of the UK's intentions, writes **Bernard Gray, Defence Correspondent**

If the British do not buy the FLA, there is no reason why they should make it. That was the robust view of Mr François Léotard, the French defence minister, last week. The Future Large Aircraft, a proposed military transporter to rival the long-standing Hercules, has become the latest symbol of European co-operation and division.

Britain pulled out of the project in 1989, after becoming disillusioned with progress, leaving the French, German, Italian and Spanish governments as prime movers. Six years later it is proposing to rejoin in an attempt to preserve Britain's pre-eminent role in aircraft wing design within Europe. However, several continental countries are wary of UK involvement.

Mr Henri Conze, head of the French procurement agency, is as sceptical as Mr Léotard about the British commitment to the FLA, and equally forthright. "There will be consequences for the restructuring of the aerospace industry if the UK does not give some undertaking [on FLA] in the 12 months to come," he told Les Echos newspaper.

This spate of French scepticism comes even though Britain decided in principle at the end of last year to rejoin the team designing the aircraft. Part of the concern comes because at the same time as Britain said it would rejoin the FLA programme, it also ordered 25 US-made Lockheed Hercules aircraft to replace half its ageing transport fleet. To French eyes, that smacked of less than total commitment to the FLA.

An artist's impression of the multi-nation FLA military transporter

Part of the concern also comes because the terms on which Britain might rejoin the FLA are unclear, and the rest is down to a wariness that "perfidious Albion" will run true to form.

In a routine visit to Paris last week, the British procurement minister, Mr Roger Freeman, went out of his way to reassure the French that the UK was serious about rejoining the project and to spell out the terms which would have to be met. "We are not shilly-shallying or being vague," he said.

"The FLA will have to be managed as a commercial programme by the Airbus consortium, and its specification and price will have to be acceptable. If the conditions are met, Britain will rejoin the project this year, and the UK has a requirement for between 40 and 50 aircraft. In these respects, our position is no different to that of Germany or France," he added.

Behind the public posturing, both France and Germany are more than a little nettled because they suspect that the UK is using a traditional continental tactic of making a vague commitment to a large number of aircraft at an early stage to gain a strong position in the programme, only to scale back its real requirements later on.

Britain's commitment to the FLA is certainly tentative. But, says Mr Freeman, that is only to be expected. The feasibility study outlining the aircraft's performance and cost will only be available in the spring and at this stage, Britain is no more or less committed than anyone else. No country could sign a contract or commit money until it knew what it was buying.

Even if that is true, it does imply some tough negotiations ahead. And meanwhile, the public pressure for more precise British commitments may continue.

Probably the most difficult point to overcome will be designing a way to pay for the development phase. Continental countries will want to finance the project with traditional launch aid. Britain, having bought its Hercules aircraft, has little money in the budget to pay for development in advance. It is looking for commercial ways of including development costs in the purchase price. While that may be technically feasible, it may be hard to persuade other countries that the UK is not getting a free ride.

Airbus and its constituent companies, meanwhile, have an equally difficult task. Since they must bear much of the risk of developing the FLA, they have to price it competitively enough to attract governments, particularly Britain's, while at the same time not under-pricing it and risking a large cost overrun which they would have to bear.

As McDonnell Douglas of the US found when it took on a similar bet with the C-17 transporter, getting that calculation wrong can cause a billion dollar hole in the pocket.

EUROPEAN NEWS DIGEST

Italy's Northern League may split

Italy's Northern League will divide into two parties after its national congress next weekend, according to Mr Roberto Maroni, the former interior minister and the party's leading dissident.

In an interview published yesterday, Mr Maroni said he would leave the party if Mr Umberto Bossi, the League's founder and leader, won majority support at the congress, which begins in Milan on Friday. At the weekend, Mr Bossi claimed he would be happy to retire if congress approved a motion of no-confidence in his leadership. Mr Maroni is the League's second-in-command and was a close friend of Mr Bossi until his leader's decision before Christmas to withdraw support from Mr Silvio Berlusconi's right-wing coalition. The move triggered the downfall of the government but Mr Maroni rallied a minority of League deputies behind Mr Berlusconi. Mr Maroni said he thought "a good part of the League's electorate was fed up with Bossi's twisting and turning". He said the real hope for the party's future was to support Mr Berlusconi's Forza Italia and the extreme-right National Alliance – the combination which won the elections last March. *Andrew Hill, Milan*

Tapie suggests pact with Jospin

Mr Bernard Tapie, the French businessman-politician, indicated yesterday he was ready for an electoral deal, rather than a duel, with Mr Lionel Jospin, the newly nominated Socialist presidential candidate. In an interview with the *Libération* newspaper, Mr Tapie, whose centre-left Radical movement won a surprise 12 per cent of the vote in last year's European elections, said that whatever his personal differences with Mr Jospin, "our respective electorates are compatible" and "could be brought to vote together". Despite his earlier warnings that the Socialists would "pay dear" for any accommodation with Mr Tapie – who is embroiled in legal action to stave off bankruptcy – Mr Jospin promised in his nomination victory speech on Sunday to "show a minimum of political intelligence" in rallying the French left behind him. His need for Radical support was underlined by a Louis Harris poll yesterday that showed him in third place behind prime minister Edouard Balladur and Mr Jacques Chirac, the RPR Gaullist mayor of Paris. Only the top two in the first round of voting go through to the final round in May. Meanwhile, a book of Mr Balladur's speeches goes on sale today, ahead of the prime minister's first campaign press conference next Monday. *David Buchan, Paris*

Turkey to raise Azeri oil stake

Azerbaijan will sell Turkey a 5 per cent stake in the international consortium developing a $7.4bn offshore oil project in the Caspian Sea. This will raise Turkey's stake in the consortium to 6.75 per cent, Mr Veysel Atasoy, Turkey's energy and natural resources minister, said yesterday. However, he added that the arrangement must still be ratified by the consortium's other shareholders, mainly western and Russian oil companies. If confirmed, the deal would be a foreign policy coup for Turkey, which has been trying to raise its shareholding ever since the consortium's formation late last year. Turkey wants to increase its influence in the former Soviet republics of the Caucasus and central Asia, which are predominantly Moslem and Turkic. Ankara was stung at the end of last year by Azerbaijan's decision to sell Iran a 5 per cent stake in exchange for financial and technical assistance. Azerbaijan originally held 20 per cent of the shares but will now hold only 10 per cent. The deal is still of huge significance to Azerbaijan after its civil and economic upheaval. *John Barham, Ankara*

Slovakia launches sell-off probe

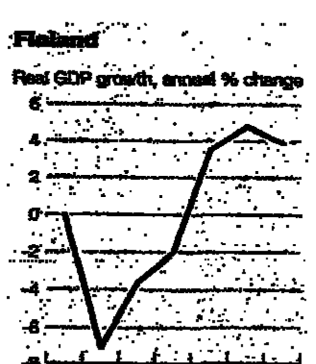
Slovakia has launched a wide-ranging investigation into all previous privatisation deals, in a move likely to delay any further state sell-offs until at least the middle of this year. But privatisation ministry officials said companies chosen for a second round of voucher privatisations would be named within two weeks. The official Slovakia news agency said Mr Peter Bisak, privatisation minister, has suggested July 1 as the date by which sell-offs could be resumed, but uncertainty caused by the new investigation could lead to further delays. The newly elected government of prime minister Vladimir Mečiar postponed a big sell-off of state companies through voucher privatisation when it assumed office in December. The news agency reported at the weekend that senior government figures had adopted a resolution "to evaluate the entire privatisation process in Slovakia with regard to compliance with valid legislation". The review would take three months, the agency said, and could result in "punitive measures" as well as new legislation governing future privatisation. *Vincent Boland, Prague and Reuters*

Swedish unions seek 9.5% rise

Sweden's powerful blue-collar trade union federation, the LO, yesterday made the first move in this year's important industrial wage round, saying member organisations would seek pay increases amounting to 9.5 per cent over two years in talks with employers due to get under way over the next few weeks. But three federation members, covering workers in the retail, transport and paper-making industries, refused to back the demand, raising the possibility that individual unions will push for higher settlements. The Social Democratic government and employers are calling for restraint, fearing inflation could be rekindled and a weak recovery from recession undermined. The Swedish Employers' Confederation has already said the LO demand was too high and a group of influential economists, chaired by Mr Per-Olof Edin, the LO's own chief economist, said at the weekend that annual average increases above 3.5 per cent could erode the competitive position of Swedish companies. Wage bargaining is still relatively centralised in Sweden, with sectoral unions and employers' organisations negotiating benchmark agreements for their industries. *Hugh Carnegy, Stockholm*

ECONOMIC WATCH

OECD warns Finns on welfare



Finland needs to make further cuts in its extensive welfare system if a strong economic recovery from deep recession is not to be undermined, the Organisation for Economic Co-operation and Development said yesterday. It said the changes would help to curb the country's rising government deficits and debt and bring down real long-term interest rates – currently among the highest in the OECD. They would also stimulate employment at a time when Finland's jobless rate stands at 18 per cent, one of the highest levels in Europe. At the same time, the OECD painted a picture of an economy in a buoyant recovery phase, after the trauma of the 1990-93 period when GDP collapsed by 15 per cent, the deepest slump any industrialised country has experienced since the second world war. It forecast average economic growth of 4.5 per cent a year in 1995 and 1996, after a rise of nearly 4 per cent last year. The Paris-based organisation believes the export-led recovery will become more broadly based as private consumption rises and business investment picks up. A jobless rate of 14.6 per cent is still forecast for next year – but this will help to keep down Finnish inflation, currently running at 2 per cent a year. But the OECD says its calculations may be upset by rising wages, particularly if big awards agreed in the export sector spill over into the rest of the economy. *Christopher Brown-Humes, Stockholm*

Russian bankruptcy points the way to recovery

Chrystia Freeland reports on the turnaround at the Aviacor aircraft company that may change thinking

On the banks of the Volga, more than 1,000km from the Kremlin, one of the most important battles over Russia's economic future is being fought, and won. The battleground is Aviacor, one of Russia's largest producers of aircraft. At stake is whether Russian heavy industry, the heart of the old Soviet economy, can be forced to adapt to a market economy.

More than three years after Russia began to stumble down the road of market reforms, Aviacor is the clearest sign that reforms have actually begun to influence the heavy industrial giants that dominate the country's economy.

Six months ago, Aviacor, in the central Russian city of Samara, suffered from the wasting disease which has afflicted most of Russia's heavy industry. The factory, which produced fighter jets before the collapse of the Soviet Union and builds the Tupolev-154, one of Russia's most popular civilian aircraft, had been brought to a standstill by a Rbs155bn debt to banks and other factories. Like thousands of factories throughout Russia, Aviacor was not being paid by those who bought its products and was consequently unable to pay its suppliers or service its bank debt. Workers at the factory, a former state company privatised through the voucher system nearly three years ago, had not been paid for months.

Last summer, thousands of factories in similar straits were bailed out by cheap government credits which have driven the rouble to historic lows against the dollar and pushed monthly inflation up to nearly 18 per cent. But Aviacor is the exception which, if it becomes the rule, could mean the resurrection of the Russian economy.

Last summer the Sredny Volzhsky Kommerchesky Bank, Aviacor's chief creditor, which was owed Rbs80bn roubles, petitioned the local civil court to declare the aircraft company bankrupt. On September 16, the court put Aviacor into receivership, making it the first case of bankruptcy at a factory of its size.

Less than five months later, the court's decision appears to have been Aviacor's salvation. Under new and rarely implemented Russian law, when a court declares a factory bankrupt it sets up a probationary period – of not more than 18 months – during which debts are frozen and a new management, appointed for the interim, can try to put the factory back on its feet.

The court and the bankruptcy commission appointed Mr Lev Khasis, a 28-year-old banker with a degree in aviation engineering, to manage Aviacor for 12 months.

Khasis: the tough young banker had spent his first day as boss firing everyone in management connected with Aviacor finances

'There was clear evidence of corruption. The people at the bottom stole nuts and bolts, the people at the top stole hundreds of thousands of dollars,' said Lev Khasis, 28, court-appointed manager of Aviacor aircraft

His first day on the job, Mr Khasis fired everyone in the old management with any connection to the company's finances.

"There was clear evidence of corruption," Mr Khasis says. "The people at the bottom stole nuts and bolts, the people at the top stole hundreds of thousands of dollars."

Specifically, Mr Khasis suspects that the old management allowed purchasers to acquire at least five aircraft without paying for them in exchange for generous kickbacks. After replacing the old guard with a new team which included many leading young reformers, Mr Khasis set about transforming the factory itself.

As a sideline to building aircraft, Aviacor also ran 28 kindergartens, owned 1m sq m of housing, ran two holiday homes for its employees and owned one of the largest sports stadiums in the city of Samara.

Mr Khasis unshackled the factory from this burdensome Soviet-era social infrastructure, which is often cited as one of the main obstacles to the restructuring of Russian industry, in one easy step: he gave Aviacor's social welfare facilities, and the costly responsibility of operating them, to the city of Samara. The new management streamlined operations further by hiring back only 9,000 of the 25,000 workers Aviacor had employed in its heyday.

Mr Khasis's next task was to restructure Aviacor's finances. The Sredny Volzhsky Kommerchesky Bank was willing to sell its debt at a 50 per cent discount. Mr Khasis took the bank up on the deal, using a $15m loan, at the going rate of 20 per cent annual interest, he negotiated with his former employer, Avtovazbank.

But Aviacor needed more money to recommence work on the 25 nearly completed aircraft in the factory's idle workshops. So Mr Khasis held a fire-sale, disposing of five aircraft to a Siberian airline for the bargain basement price of $20m.

Another remedy was the decision to barter aircraft for electricity. Aviacor has already given one aircraft to its energy supplier and will pay off the rest of its energy bill this year with two or three more.

The initial injection of cash and the barter arrangement for energy were enough to get the factory back to work by the beginning of November. But, for the longer term, Mr Khasis realised that Aviacor needed to find a creative solution to the Russian aviation market.

"In the past, aircraft were sold like shoes – you paid for them in full upon delivery," Mr Khasis said. "But today, although there is a huge demand for aircraft, very few people have the money to pay for them up front."

Aviacor's answer is to lease many of its aircraft. The company requires a $1m deposit, then charges a monthly $100,000 over 10 years. This year, Aviacor has already leased nine aircraft on these terms, and plans to lease another 11. To finance this leasing scheme, Mr Khasis is negotiating a $15m loan at 10 per cent over 10 years from a group of western investors.

These arrangements have allowed Aviacor to go back to work, but the company is still burdened with much of the debt accumulated by the old management and is looking for fresh capital to finance the production of a new aircraft, the Antonov-70 transporter.

Mr Khasis, who says the rates offered by Russian banks are prohibitively high for manufacturers, hopes that a new share issue will solve both of Aviacor's remaining problems.

Later this year, Aviacor, 51 per cent of whose shares are owned by the workforce and the old management and 25.5 per cent by the state, plans to issue 150m new shares. Some 18m will be offered to current shareholders, who will get 30 new ones for every share they hold. Another tranche of shares is slated to go to Aviacor's old creditors, with whom Mr Khasis is negotiating debt for equity swaps. Mr Khasis is trying to sell the remaining shares for at least $1 per share to western strategic investors.

Last summer Aviacor's shares were trading at six times their nominal value. They are now at about 20 times.

If all goes according to plan, by the beginning of next summer Mr Khasis hopes he will be appearing before the bankruptcy court to report that Aviacor has paid off its debts and to petition for its release from the probationary period ahead of schedule. That will make Mr Khasis, whose salary is linked to the amount of debt his factory repays, a wealthy man.

Moscow fails to agree loan deal with IMF

By Chrystia Freeland in Moscow

An International Monetary Fund delegation is due to leave Moscow today without a final agreement on a $6.25bn standby loan, but Russian and western officials remained hopeful that a deal would be struck over the next few weeks.

Reaching an early accord with the IMF is crucial for the Russian government, which has constructed its already strained 1995 budget around the assumption that Russia will receive substantial western assistance.

With inflation reaching a 12-month high of nearly 18 per cent last month, the government has been hard pressed to raise money on domestic capital markets to finance its budget deficit. To attract buyers for treasury bills, the government was last week forced to offer yields of 320 per cent on three-month bonds.

The government's shaky grip over its budget deficit – forecast at 7.7 per cent of GNP by the ministry of finance but more than 10 per cent according to IMF calculations – could slip further without IMF money to help bridge the fiscal gap.

But western diplomats and economists said that despite Russia's failure to reach an agreement during this round of talks, the prospects were still good for a deal.

Ministry of finance officials denied reports in the Russian press that Mr Vladimir Panskov, the minister of finance, had said he expected the IMF to refuse to grant Russia a standby loan. Instead, they predicted that an agreement would be reached sooner rather than later.

Western diplomats and economists said that two principal sticking points remained between Russia and the IMF.

On the economic front, the IMF is not persuaded by Moscow's optimistic revenue forecasts. According to western diplomats, the IMF's economists calculate that the Russian budget contains a fiscal gap of some 4 per cent of GDP, which the IMF is expected to press Russia to plug either by raising more revenues or further squeezing expenditures.

The government's attempt to satisfy the IMF's austere fiscal requirements could be complicated by growing industrial unrest in the coal sector, which Moscow could be tempted to appease by issuing soft state credits. Miners, who were on strike at dozens of mines yesterday and have called for a nationwide coal strike tomorrow, are protesting because their wages have not been paid for several months.

Western officials said that the second obstacle is the lack of explicit, high-level political support for the stabilisation programme the IMF has been negotiating with officials from the generally reform-minded ministry of finance.

Moscow's failure to apply in practice its formal pledge to liberalise oil exports, a key IMF demand, has served as a warning about the gap between promises and implementation.

Austrian parties in budget deal

By Eric Frey in Vienna

Austria's two governing parties reached broad agreement yesterday on the 1995 budget. The accord averted a collapse of the coalition just four months after the last elections and is designed to keep the budget deficit below Sch100bn ($9.3bn).

Originally, the 1995 shortfall was projected as high as Sch160bn, which would have well exceeded convergence criteria for monetary union in the Maastricht treaty. The impasse in the budget talks was broken on Sunday night when government representatives reached agreement with the public employees' union on pay and pension changes that should result in government savings of Sch3.5bn this year.

Moreover, the Social Democratic party (SPOe) and the conservative People's party (OeVP) agreed modest cuts in welfare spending. The bulk of the funds needed to narrow the budget gap will come from an increase in petrol tax of Sch1.20 a litre, higher local taxes for companies and the receipts from privatisation.

The petrol tax increase alone should yield Sch10bn, and the intended sale of government stakes in the country's two largest banks, Creditanstalt and Bank Austria, could net around Sch15bn. The deal will stave off a break-up of the the coalition, which has been in constant crisis since both parties suffered heavy losses in the October 1994 elections.

At a joint press conference, Chancellor Franz Vranitzky, a Social Democrat, and his deputy, Mr Erhard Busek, from the OeVP, also cited the accord as a guarantee against any pressure on the schilling.

A Sch100bn budget deficit represents around 4.5 per cent of GDP. With the help of future savings, the shortfall is on track to shrink to 3 per cent of GDP by 1998.

The deal also shows that the system of social partnership, which is based on close co-operation of business, unions and government, is still working in Austria. After weeks of protests by various interest groups, the unions accepted some painful cuts.

Smoothing the negotiations was the fear that the coalition's collapse could bring to power the far-right Freedom party of Mr Jörg Haider, which has been making steady gains.

NEWS: ASIA-PACIFIC

Indian bank warns on rash poll pledges

By Shiraz Sidhva in Bombay

India's central bank yesterday warned the country's state governments to initiate budgetary reforms and make more efficient use of resources to avoid being swamped by debt.

The Reserve Bank of India's remarks come on the eve of election campaigns in six Indian states for polls later this month and in March.

"It is a direct message to individual governments not to make populist poll promises that would contribute to the already alarming proportions of debt burden on the states," a bank official said.

In Andhra Pradesh, prime minister Narasimha Rao's home state, the regional Telugu Desam party defeated the ruling Congress (I) party in state elections last Novemebr with the promise of rice at only Rs2 (4 pence) a kilo instead of the normal Rs6-Rs10. Economists estimate the rice subsidy will swallow up a third of the state's revenues if the party delivers on its promise.

In the southern state of Karnataka, the newly elected chief minister Mr H D Devegowda recently announced a waiver of interest on farm loans that will benefit 1.2m farmers.

In Maharashtra, which goes to the polls on February 9 and 12, the opposition Hindu Bharatiya Janata Party and its more militant allies, the Shiv Sena, are promising cheaper food for the poor, and to hold steady the prices of five essential commodities, including rice, for the next five years.

The ruling Congress party is under pressure to match these unprecedented poll promises, which could result in an increase in subsidies on grains, agriculture and energy. The World Bank has consistently warned India to ease out subsidies if the country's reform programme is to work.

The Reserve Bank of India has entered the election fray to warn states of a "further deterioration in fiscal imbalances" in the coming year. In its monthly report the bank said increased costs could restrict infrastructure development.

The RBI said one of the most disturbing elements in state government finances was the frequent use of expensive loans to cover the increasing revenue deficits.

Bank officials said the combined outstanding domestic debt of the Indian state governments would rise to Rs1,822.2bn by next month from Rs1,588.5bn last year.

"Indian states have traditionally overspent budgets allocated to them, and looked to the central government to wipe out their deficits in times of crises," said an economist with the government's Finance Commission, which allocates resources to the states.

The RBI has called on state governments to improve tax collection, and to introduce measures to make public utilities more efficient. State governments pay for roads, electricity, schools, and subsidised food distribution.

Korean peace moves dogged by propaganda

By John Burton in Seoul

North Korea yesterday rejected a proposal by Seoul to open its borders to South Korean visitors in a further example of how efforts to promote dialogue remain bogged down in a propaganda war.

The issue of inter-Korean contacts has taken on increased urgency since the US warned recently that implementation of its nuclear agreement with North Korea could be delayed if Pyongyang refused to conduct political negotiations with South Korea.

In an attempt to revive the talks, which have been suspended for the past two years because of the nuclear dispute, Seoul last week proposed a high-level meeting with Pyongyang to discuss allowing South Korean citizens to visit North Korea.

Seoul said it would permit South Korean families, separated from relatives in the North by the 1950-53 Korean war, to travel to Pyongyang to attend an international festival in April that North Korea hopes will attract 10,000 foreign visitors.

It also proposed an exchange of journalists and the easing of restrictions on South Korean business travel to the North.

North Korea rejected the offer in a commentary in the Rodong Shinmun, the newspaper of the ruling Korean Workers' party, describing it as "a discourteous act".

Pyongyang seemed to see the offer as a pretext by Seoul to re-establish an official dialogue. This runs counter to North Korea's strategy of trying to isolate the Seoul government by promoting contacts with other sectors of South Korean society.

North Korea last month, for example, suggested that a "grand national conference" on unification be convened to celebrate the 50th anniversary of Korea's liberation from Japanese colonial rule. It sent invitations to non-governmental organisations and opposition politicians in South Korea.

South Korea has rejected the proposal because it is outside the framework of existing inter-Korean agreements.

Meanwhile, Mr Mikhail Gorbachev, the former Soviet president, has offered to mediate to revive a planned summit between the leaders of the two Koreas that was postponed last summer because of the death of North Korean president Kim Il-sung.

South Korean President Kim Young-sam has expressed optimism that a summit is still possible once Mr Kim Jong-il, son of the late president, formally takes power in North Korea, which many analysts believe will occur this spring.

Former South Korean opposition leader Kim Dae-jung yesterday welcomes Mikhail Gorbachev and his wife Raisa. Mr Gorbachev has offered to mediate to revive a planned Korean summit AP

Pedlars of the Japanese model to developing world

William Dawkins reports on Tokyo's aid officials with more regard for their alternative than free market orthodoxy

"Free market theory has failed in many areas like Russia, eastern Europe and sub-Saharan Africa because it is too short sighted and too market oriented. Not enough attention was paid to these countries' own economic and social structures."

This striking denunciation of the orthodox western approach to economic restructuring and development might not matter if it came from an abstract theorist. But it comes from someone deeply involved with aid policy in Japan, the world's largest donor – Mr Katsuhisa Yamada, the head of Japan's Institute of Developing Economies, a state agency which runs a school in Japanese industrial policy for aspiring Asian bureaucrats.

His message is one which the Japanese government is preaching to growing numbers of developing countries, mainly its Asian neighbours, who feel uneasy about trying to apply traditional free market advice from the World Bank and the International Monetary Fund.

Japan's own experience suggests a different way, says Mr Yamada. "Japan started from a planned economy post war, to become gradually liberalised over the years. I would say we are now 80 per cent of the way to being a free market economy. In developing countries it should be more like 50 per cent. We are not saying that developing countries should imitate Japan. But they do need to study an alternative to neo-classical economic theory."

Mr Yamada represents a powerful generation of bureaucrats who believe that Japan should shrug off some of its old diffidence and contribute ideas, not just cash, to others' economic development.

Another articulate advocate of an Asian alternative to western free markets is to be found at the ministry of finance, in the shape of Mr Eisuke Sakakibara, the forthright president of the institute of fiscal and monetary policy, another recently established training body for foreign officials.

Mr Sakakibara says the most important difference between the Asian and so-called "neo-classical" market economies is the balance between companies' use of direct and indirect funding. Businesses in pure free market economies raise most of their funds directly, from the equity or bond markets. In Japan, banks provide most of the funds. It is easier for the government to influence lending than direct financing, where markets allocate cash irrespective of government policy, he says.

Another virtue of a strong savings-based banking system, rather than capital markets, is that it supports social and cultural traditions through local banks lending to local businesses, he argues. That is why,. while "we have lost lots of our Japanese-ness, but compared to western countries we have maintained some of our traditions," says Mr Sakakibara , well known in the Tokyo bureaucracy for his love of Japanese history.

"At the same time, Vietnam can modernise its economy without becoming Japanese or western, without losing completely its germane culture," he says.

This year, between 500 and 600 foreign government officials will attend courses in economic development run by the ministries of international trade and industry, finance, foreign affairs and the Bank of Japan. These numbers have roughly doubled over the past three years and officials say requests for advice are growing fast.

Scores of Japanese officials will also leave Tokyo on secondment to developing country governments, or to swell the small ranks of Japanese staff on multilateral development agencies. Japan has started to tutor its neighbours partly in response to demand from them. But it is also less shy about spreading its message, emboldened by six years as the world's largest aid donor, more than $10bn in 1995.

Japan's confidence in its mixed economy was strengthened further by a 1993 World Bank report admitting that state intervention can be useful. While Japan paid for the report, Tokyo officials point out proudly that they had no hand in writing it.

Officials stress that there is no plan to impose Japanese economic ideas. The aim, they say, is to leave pupils to draw their own conclusions from the main points in Japan's post-war economic development, including the state's use of post office savings to channel cheap funds through a panoply of specialised banks, into priority industries. To this is added the tradition of what one bureaucrat calls "people-ism" – the consensus that companies are for the benefit of employees and customers, with shareholders last.

And yet, there is a strategy behind the message. Most of Japan's economic advice comes from government bodies, rather than private sector universities. The countries eligible for free training at Mr Yamada's school, an offshoot of the ministry of international trade and industry, are targeted – all lucrative markets for Japanese goods.

While Miti spreads its industrial policy experience, the ministry of finance has for the past three years run courses for foreign officials on such subjects as relations between the state and banks, and financial reform. The biggest finance ministry trainee is China, for which the ministry set up a study group and annual seminar programme in 1993, part of a deepening in China-Japan relations which began at the time.

China's economic vice-premier, Mr Zhu Rongji has listened to the message from Tokyo and shown interest in setting up an equivalent of Japan's fiscal investment and loan programme, under which post office savings are used to fund public works. He has also drawn up plans, in the past year, for specialised banks, for export finance, industrial development and agriculture, based on Japanese originals.

Japan has also warned Mr Zhu to go slow on plans for a Beijing stock market, in addition to the existing market in Shanghai. First, China should build up laws on bankruptcy, accounting and disclosure. Without these, a stock market would be a mere "gambling casino" the finance ministry's Mr Sakakibara advises. Share prices might rise sharply at first, but at the first sign of trouble, the bubble would burst, he argues. Cynics might point out that, on this subject, Japan speaks from recent experience.

Japan is also less shy about spreading its message, emboldened by six years as the world's largest aid donor

The list of other finance ministry pupils is getting longer. They include Poland, which recently sent a mission to ask Japan's advice on training tax officials, plus Malaysia, Vietnam, India and Burma.

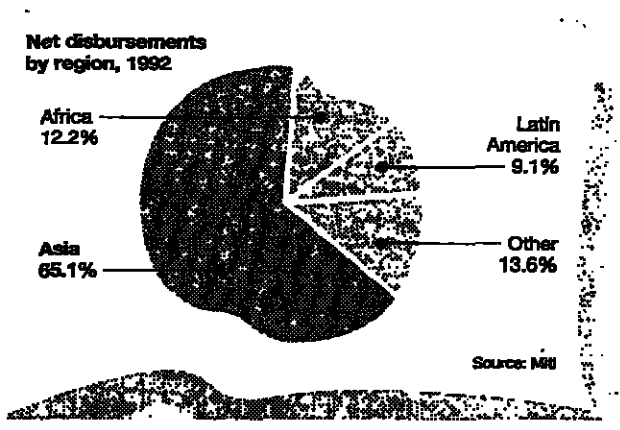
Tokyo's most experienced tutor of developing countries is the Bank of Japan, which has been giving "technical assistance" to its Asian neighbours for the past 30 years.

Mr Yoshihiko Noguchi, chief manager for central banking technical assistance, says there has been a surge in requests for advice on foreign exchange, the creation of financial institutions, monetary policy, and the operation of interbank money markets. The BOJ has put more than 500 foreign officials through its training courses in the past year, up from 150 in 1991.

In addition, more than 20 senior BOJ officials are now on secondment to the central banks of Russia, Vietnam and Kurdistan among others. "They find it helpful to learn from our experience of relatively recent economic restructuring," says Mr Noguchi.

The bank stresses that unlike its more forward counterparts at Miti and the finance ministry, it does not advocate any particular economic model to its pupils. All the same, the BOJ's technical assistance is an important part of Japan's growing influence on developing countries' economic policies.

Japan's overseas development aid



Philippines GNP rises by 5.1%

Growth in the Philippines' gross national product almost doubled last year to 5.1 per cent compared with 2.6 per cent in 1993. The upturn was led mainly by a 10.1 per cent rise in foreign investment and a 19.5 per cent surge in exports, according to figures from the National Economic and Development Authority.

Domestic output grew by 4.3 per cent from 2.1 per cent the previous year, fuelled mainly by a 17.4 per cent growth in the construction industry and an increase of 13.8 per cent in the utilities sector.

Inflation in January was 6.2 per cent compared with 9.1 per cent in January 1994. *Edward Luce, Manila*

Burma prisoners

Four more political prisoners were released in Burma yesterday, including two members of detained opposition leader Aung San Suu Kyi's National League for Democracy, the official Myanmar News Agency reported. *AP, Rangoon.*

Thai reserves

Thailand's December 1994 foreign reserves of gold, special drawing rights and convertible currencies rose to $30.28bn from $29.74bn in November, the Bank of Thailand said. *Reuter, Bangkok*

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

UNITED STATES

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	279.8	–174.2	–164.5	0.7623	100.0
1986	231.0	–140.6	–153.7	0.9836	80.2
1987	220.2	–131.8	–144.8	1.1541	70.3
1988	272.5	–100.2	–108.3	1.1833	68.0
1989	330.2	–99.3	–93.3	1.1017	69.4
1990	309.0	–79.3	–72.0	1.2745	65.1
1991	340.5	–53.5	–5.6	1.2391	64.5
1992	345.9	–65.2	–52.4	1.2957	62.9
1993	397.3	–96.7	–88.8	1.1705	65.6
1st qtr.1994	108.9	–28.9	–28.7	1.1244	66.8
2nd qtr.1994	107.7	–32.7	–32.7	1.1605	65.3
3rd qtr.1994	108.7	–33.5	–34.1	1.2232	62.8
4th qtr.1994				1.2346	62.3
January 1994	35.2	–9.7	n.a.	1.1139	67.5
February	34.1	–10.8	n.a.	1.1184	66.7
March	37.5	–8.4	n.a.	1.1410	66.1
April	36.1	–10.6	n.a.	1.1385	66.0
May	35.4	–11.1	n.a.	1.1622	65.3
June	36.3	–11.0	n.a.	1.1806	64.6
July	33.6	–12.2	n.a.	1.2187	63.0
August	37.0	–10.5	n.a.	1.2198	63.1
September	38.1	–10.9	n.a.	1.2312	62.3
October	35.3	–11.0	n.a.	1.2544	61.5
November	38.6	–11.7	n.a.	1.2369	62.1
December 1994			n.a.	1.2126	63.4

JAPAN

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	230.8	78.0	64.5	180.50	100.0
1986	211.1	96.2	87.0	165.11	124.4
1987	197.3	88.1	75.3	166.58	133.2
1988	219.8	80.7	66.7	151.51	147.3
1989	245.3	70.5	52.6	151.87	141.9
1990	220.0	50.1	28.3	183.94	126.0
1991	247.4	83.1	62.9	166.44	137.0
1992	254.8	101.7	89.8	164.05	142.9
1993	300.0	121.0	111.0	130.31	173.8
1st qtr.1994	81.1	32.8	30.1	120.95	182.5
2nd qtr.1994	81.7	31.6	28.7	119.84	187.1
3rd qtr.1994	80.4	30.1	26.2	121.14	189.9
4th qtr.1994				122.03	189.1
January 1994	27.1	11.3	11.2	124.03	177.0
February	26.9	11.3	10.1	118.77	185.2
March	27.2	10.2	8.8	120.04	185.3
April	27.6	11.3	10.9	117.79	188.6
May	26.1	9.6	7.8	120.67	186.2
June	28.0	10.6	10.0	121.06	186.8
July	28.8	11.1	9.9	120.00	191.5
August	26.9	9.2	7.8	121.85	188.7
September	26.7	9.8	8.5	121.58	189.6
October	25.4	8.0	6.4	123.44	188.2
November	27.5	10.7	8.8	121.21	190.5
December 1994				121.44	188.7

GERMANY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	*242.7*	*33.2*	*21.7*	*2.2260*	*100.0*
1986	*248.5*	*53.4*	*40.3*	*2.1279*	*108.8*
1987	*254.3*	*56.7*	*39.8*	*2.0710*	*115.3*
1988	*272.6*	*61.6*	*42.9*	*2.0739*	*114.6*
1989	*310.2*	*65.4*	*52.3*	*2.0681*	*113.5*
1990	324.4	51.8	36.9	2.0537	119.1
1991	327.4	11.2	–15.7	2.0480	117.7
1992	330.6	16.8	–17.0	2.0187	121.2
1993	322.9	31.4	–18.7	1.9337	124.6
1st qtr.1994	81.9	7.6	–5.9	1.9370	122.4
2nd qtr.1994	89.7	11.2	–2.7	1.9276	123.5
3rd qtr.1994	88.7	8.2	–13.4	1.9088	126.0
4th qtr.1994				1.9056	126.3
January 1994	26.8	3.1	–1.6	1.9415	122.2
February	28.3	3.2	–2.3	1.9397	121.8
March	26.8	1.2	–1.9	1.9298	123.2
April	29.1	4.6	–0.6	1.9335	122.8
May	30.2	3.0	–2.3	1.9265	123.5
June	30.5	3.6	0.1	1.9228	124.3
July	29.0	2.1	–7.0	1.9117	125.7
August	30.5	4.0	–3.5	1.9075	126.3
September	29.3	2.1	–2.8	1.9073	126.1
October	31.3	3.5	–3.8	1.9072	126.4
November			0.3	1.9044	126.3
December 1994				1.9054	126.2

FRANCE

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	133.4	–3.7	–0.2	6.7942	100.0
1986	127.1	0.0	3.0	6.7946	102.8
1987	128.3	–4.6	–3.7	6.9265	103.0
1988	141.9	–3.9	–3.4	7.0354	100.8
1989	162.9	–6.3	–3.6	7.0169	99.8
1990	170.1	–7.2	–7.2	6.9202	104.8
1991	175.4	–4.2	–4.9	6.9643	102.7
1992	182.6	4.6	2.9	6.8420	106.0
1993	179.5	13.4	8.9	6.6281	108.3
1st qtr.1994	46.5	2.4	3.4	6.5881	108.0
2nd qtr.1994	48.7	3.2	0.9	6.5967	108.0
3rd qtr.1994	49.9	3.1	2.3	6.5362	110.0
4th qtr.1994				6.5426	110.1
January 1994	15.3	0.28	2.36	6.5956	107.9
February	15.2	0.74	–0.29	6.5905	107.6
March	16.0	1.35	1.36	6.5782	108.3
April	15.8	1.19	0.54	6.6240	107.1
May	16.6	1.16	0.53	6.5972	107.9
June	16.3	0.88	–0.19	6.5686	108.8
July	16.0	0.68	1.17	6.5508	109.7
August	17.1	1.11	–0.04	6.5347	110.2
September	16.7	1.35	1.18	6.5233	110.3
October	17.3	1.69	0.47	6.5281	110.5
November	17.2	1.05		6.5386	110.1
December 1994				6.5612	109.6

ITALY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	103.7	–16.0	–5.4	1443.0	100.0
1986	99.4	–2.5	–1.4	1461.6	101.4
1987	100.7	–7.5	–2.1	1494.3	101.2
1988	108.3	–8.9	–8.0	1536.8	97.8
1989	127.8	–11.3	–17.0	1509.2	98.6
1990	133.6	–9.3	–18.0	1523.2	100.6
1991	137.0	–10.5	–17.7	1531.3	98.9
1992	137.9	–8.0	–20.6	1591.5	95.7
1993	144.3	17.9	9.8	1836.7	78.6
1st qtr.1994	37.5	3.4	1.1	1892.8	76.2
2nd qtr.1994	40.7	4.7	2.8	1861.2	77.8
3rd qtr.1994	38.0	6.2	1.4	1920.2	75.6
4th qtr.1994				1960.2	74.0
January 1994	10.2	0.1	–0.9	1892.5	76.2
February	12.8	1.6	1.3	1883.9	76.4
March	14.5	1.7	0.8	1901.9	75.9
April	12.9	1.4	1.0	1850.1	78.0
May	13.7	1.6	0.9	1852.9	78.2
June	14.0	1.7	0.9	1880.5	77.1
July	14.2	3.1	1.9	1904.5	76.3
August	9.9	2.0	1.8	1928.3	75.4
September	14.0	1.1	–2.3	1928.0	75.3
October	13.8	1.6	0.4	1942.9	74.9
November	14.0	1.1		1958.1	74.0
December 1994				1979.6	73.2

UNITED KINGDOM

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	132.4	–5.7	3.8	0.5890	100.0
1986	108.3	–14.2	–1.3	0.6708	91.6
1987	112.3	–16.4	–7.1	0.7047	90.1
1988	120.9	–32.3	–25.0	0.6643	95.5
1989	137.0	–36.7	–33.5	0.6728	92.6
1990	142.3	–26.3	–26.6	0.7150	91.3
1991	147.7	–14.7	–11.7	0.7002	91.7
1992	145.9	–17.8	–13.4	0.7359	88.4
1993	156.1	–17.0	–14.4	0.7780	80.2
1st qtr.1994	42.3	–3.9	–1.9	0.7554	81.3
2nd qtr.1994	43.0	–3.1	–1.4	0.7716	80.0
3rd qtr.1994	44.1	–2.0	1.0	0.7885	79.2
4th qtr.1994				0.7791	80.2
January 1994	14.4	–1.2	n.a.	0.7458	82.4
February	14.0	–1.1	n.a.	0.7557	81.0
March	13.9	–1.6	n.a.	0.7649	80.5
April	14.5	–0.8	n.a.	0.7673	80.0
May	14.0	–1.3	n.a.	0.7733	79.9
June	14.4	–1.0	n.a.	0.7741	80.1
July	14.5	–0.7	n.a.	0.7881	79.2
August	14.8	–0.6	n.a.	0.7906	79.0
September	14.8	–0.7	n.a.	0.7857	79.3
October	14.9	–0.8	n.a.	0.7812	80.2
November			n.a.	0.7786	80.2
December 1994			n.a.	0.7775	80.1

Due to the introduction of the Single Market, EC countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

هكذا من الاصل

Clinton budget a manifesto to middle classes

The White House proposal should be seen in light of any Republican alternatives, writes Michael Prowse

When the president's party does not control Congress, the White House budget proposal is as much a political manifesto as a serious blueprint for economic policy.

This is certainly true of the 1996 budget. President Bill Clinton's main goal is to convince voters that his proposal for tax cuts – the so-called "Middle Class Bill of Rights" – is superior to anything that congressional Republicans might propose in coming months. The deficit-cutting strategy once portrayed as the heart and soul of "Clintonomics" is discarded because it did not sell well with the electorate last November.

The budget presented yesterday might have appealed to Jeremy Bentham, the 18th century English philosopher. It does not quite advocate "the greatest happiness of the greatest number" but it does promise to "improve living standards for the greatest possible number of American families".

On the first page, voters are reminded that the fruits of economic growth in recent years have been distributed in a most unjust manner. Between 1980 and 1993, the household income of the top 5 per cent rose 34 per cent in real terms and the top fifth by 21 per cent. Everybody else did badly: the incomes of the bottom 20 per cent fell by 2 per cent after allowing for inflation.

Average household income

Constant 1993 dollars by population band

	Lowest fifth	Second fifth	Third fifth	Fourth fifth	Highest fifth	Top 5%
1993	$7,411	$18,647	$31,260	$48,572	$98,589	$163,228
1980	$7,567	$18,834	$31,079	$45,787	$81,638	$121,998
Growth 1980-93	-2.1%	-1.0%	0.6%	6.1%	20.8%	33.8%

Source: Bureau of the Census

The "bill of rights" is Mr Clinton's answer to what he perceives as the nation's most serious economic problem: stagnant or falling incomes for the bottom 60 per cent of the population. It consists of:

- A $500 tax credit for each child under the age of 13.
- A tax deduction worth up to $10,000 for post-secondary academic or vocational tuition.
- Extended tax relief for saving through Individual Retirement Accounts (IRAs).
- Skill grants for low-income workers, the unemployed and adults who need retraining.

The package would cost $63bn over five years, or nearly 1 per cent of gross domestic product. And it is carefully designed so that only deserving middle and low income groups would benefit. The child tax credits, for example, are phased out at incomes of between $60,000 and $70,000 a year while families earning more than $100,000 would not benefit from more generous IRAs. The White House estimates that families on less than $100,000 would receive 87 per cent of the overall tax relief; more than 50 per cent would go to families with incomes between $30,000 and $75,000 – the quintessential middle class.

Mr Clinton argues that Republicans want to cut taxes mainly to help upper-income groups. His bill of rights is different because it would ease the burden of child-rearing while encouraging the kind of behaviour required if middle-income families are to become more prosperous: more saving, longer years of study and additional skill training.

Were it to be enacted (which it will not be in its current form, because Republicans control the congressional legislative machinery), Mr Clinton's tax cuts might have provided marginal benefits. But it is unlikely that fiscal tinkering would counter a two-decade old trend toward more unequal pre-tax incomes – a trend that many economists now attribute to technological change.

And by seeking to use the tax code as a tool for social engineering, Mr Clinton has broken with the enlightened bipartisan consensus on tax policy established in the 1986 tax reform act.

The problem with reverting to the old policy of using the tax code to promote good causes is that fiscal relief tends to outlive its usefulness: mortgage interest and healthcare deductions, which are no longer justified, currently cost the US Treasury about $110bn a year.

The larger objection to the bill of rights is that it would do less for the "forgotten middle classes" than the previous strategy of cutting the deficit. This would have raised the national savings rate and, probably, the rate of growth of productivity, with benefits for workers at all income levels.

Mr Clinton admittedly achieved much less on the deficit front than he likes to claim: the structural budget deficit has fallen by only about 0.5 per cent of gross domestic product since he was elected – to about 2.8 per cent of national income. The reason for this slow progress is that the Clinton administration has taken no action to curb growth of the big "entitlement" programmes such as Medicare (healthcare for the elderly) and raised taxes only on 1-2 per cent of wealthy families.

But most economists would agree that slow progress on the deficit is better than throwing in the towel. The budget presented yesterday projects annual federal deficits of $200bn as far as the eye can see. Mr Clinton has handed Republicans the politically unpalatable task of proposing a responsible fiscal policy.

Economic assumptions (calendar years)

	Actual 1993	Projections 1994	1995	1996	1997
GDP					
Billions of current dollars	6,343	6,735	7,117	7,507	7,921
Annual % change: constant 1987 dollars	3.1%	3.9%	2.4%	2.5%	2.5%
Consumer price index* Annual % change	3.0%	2.8%	3.1%	3.2%	3.2%
Civilian unemployment rate** Average annual %	6.7%	6.1%	5.8%	5.9%	5.8%
Interest rates, %					
91-day Treasury bills***	3.0%	4.2%	5.9%	5.5%	5.5%
10-year Treasury notes	5.9%	7.1%	7.9%	7.2%	7.0%

*CPI for all urban consumers. Two versions of the CPI are now published. The index shown here is that currently used, as required by law, in calculating automatic adjustments to individual income tax brackets.
**Because of a January 1994 change in survey methodology, the 1993 figure is not directly comparable to those for subsequent years.
***Average rate (bank discount basis) on new issues when period.

Source: Office of Management and Budget

Venezuela finance minister resigns

The Venezuelan government announced yesterday that Mr Julio Sosa Rodriguez, finance minister and one of the key figures in President Rafael Caldera's cabinet, had resigned, writes Joseph Mann in Caracas.

Mr Luis Raúl Matos Azócar, a minister of state and co-ordinator of the government's foreign exchange control board, will take over the finance post, according to the government statement.

Mr Sosa is expected to stay in cabinet as minister of state for international economic affairs. This suggests he will spend much time abroad on issues such as public and private sector external debt, and perhaps trade.

The new minister was planning minister for President Jaime Lusinchi, in office from 1984-88. He lacks Mr Sosa's extensive business experience but is known to share President Caldera's concern that any economic reforms and growth must be accompanied by progress in social welfare.

Also like the president, Mr Matos rejects the free market orientation of the previous administration.

Congress challenged to cut deep

By Jurek Martin, US Editor, in Washington.

The US government operates on the principle that the president proposes and Congress disposes. That is true of most matters, foreign policy sometimes excepted, but it applies in spades to the federal budget.

Rarely does Congress buy into the president's budget proposals lock, stock and barrel. Some have been influential in changing national policy – such as President Ronald Reagan's first two tax-cutting budgets and President Bill Clinton's $500bn deficit reduction budget of 1993, which ultimately passed in recognisable form by a single vote in both houses. Many have been considered "dead on arrival" on Capitol Hill.

At first sight, there is no chance that the edition unveiled yesterday will emerge relatively unscathed, for the simple reason that the Republican Congress is intent on cutting spending and taxes more deeply than the president. Mr Clinton's budget may serve as a reference marker for whatever Congress ultimately decides, but beyond that its fate is uncertain.

Yet, in an odd political irony, the House of Representatives, egged on by Congressman Newt Gingrich, its Speaker, was yesterday girding itself to approve giving the president more, not less, budgetary authority in the shape of the line item veto. This would enable him to strike out offending items of spending, most obviously "pork barrel" projects, without sending a whole bill back to Congress unsigned.

The Republicans also want an amendment to the US constitution that would require a balanced budget by the year 2002. This has already passed the House but faces an uncertain future in the Senate, where Democrats are continuing to demand that Republicans specify precisely what spending cuts would be necessary to achieve the goal.

But, assuming the more modest line item veto passes the Senate as well as the House, it will be months before Mr Clinton will be in a position to exercise his new-found power, which he has argued for almost as vehemently as the Republicans.

This is because the budget approval process is protracted. Congress must come up with no less than 13 agreed budgetary appropriations bill by September 30, the day before the next fiscal year starts. It is not unknown for that deadline to become very real.

Complicating matters this year is the determination of Mr Gingrich to have introduced – and hopefully passed – within 100 working days legislation on the ten broad subdivisions in the "Contract with America". All of them – ranging from taxation through crime and defence to external assistance – have budgetary implications.

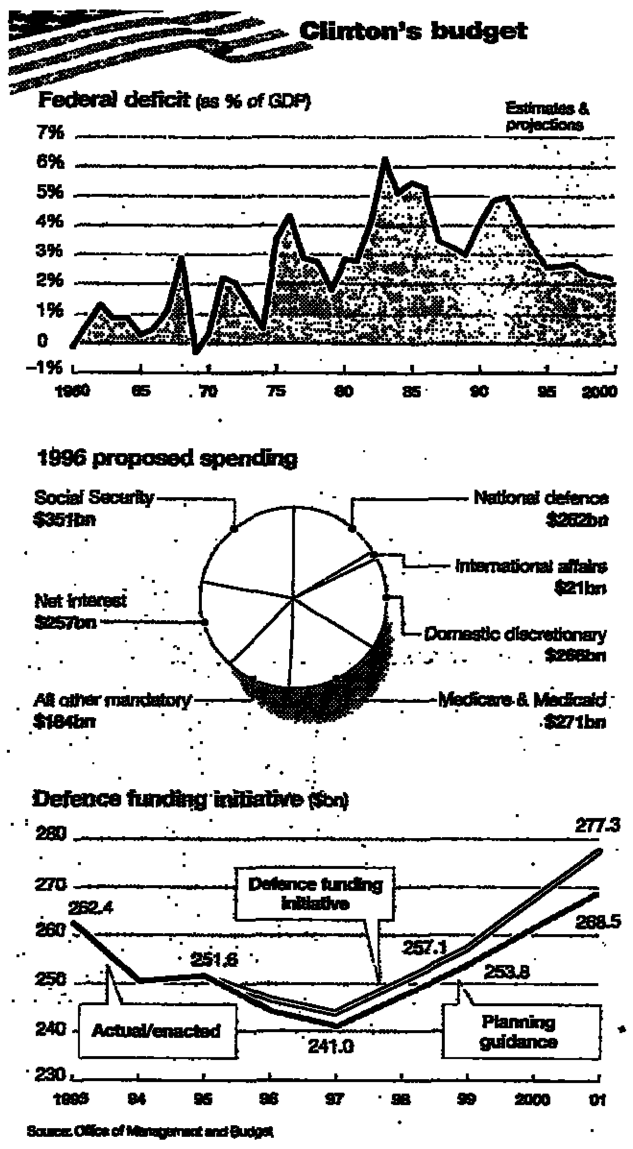
The scale of the Republican ambitions dwarfs the numbers in the president's budget. Yet there is no hard evidence that the Republicans, any more than the president, are yet willing to take on the sacrosanct "entitlement" programmes – social security, Medicare and Medicaid. Such direct payments to individual Americans now comprise 48 per cent of government budgetary outlays, three times as much as is devoted to national defence.

Politicians do *talk* about reforming entitlements. President Reagan used to and the habit is more common now because reducing them appears the key to balancing the budget. But it remains axiomatic that the political risk attached to doing something is very great indeed.

By offering a "steady as she goes" budget, with interesting administrative restructuring but no bold initiatives as two years ago, the president is in effect challenging Republicans to cross the political line into the red zone of potentially adverse public reaction.

That will be tested in the months ahead on the non-entitlement parts of the budget debate, including reduced spending on welfare, lower subsidies for the arts and non-commercial broadcasting, and various environmental programmes. It may be that the public appetite for specified spending cuts will prove to be less than for the generalised principle of a smaller government, which at least the Clinton budget espouses.

Administration officials also made much at briefings yesterday of the importance of preserving fiscal discipline as the economy settles in to a more moderate but sustainable and non-inflationary growth path. That may be seen as a clear challenge to Republicans not to repeat the policies of the 1980s which resulted in a quadrupled federal deficit.



Source: Office of Management and Budget

Defence cuts to bottom out

By George Graham in Washington

President Bill Clinton has proposed cutting defence spending by $6.8bn (£4.3bn) to $246.7bn next year, with a further $3.2bn to be cut in 1997 before military spending begins to rise again in 1998-2000.

The budget proposal includes the additional spending promised by Mr Clinton in December to maintain military readiness and pay increases for the US armed forces. Senior defence officials said the budget proposal would trim military spending after inflation by 10 per cent over the next two years, but it would rise in real terms in 2000 and 2001.

They added that, by the end of fiscal 1996, US forces will be drawn down virtually to the size set by the Bottom Up Review of defence strategy conducted in Mr Clinton's first year in office, based on the need to be able to fight two near-simultaneous major regional conflicts.

The defence budget seems sure to set up a clash, not only between the Clinton administration and the majority Republicans in Congress, but also among the Republicans in Congress who are divided between those, such as Congressman John Kasich, who emphasise a "hard freeze" on spending and others, such as Congressman Floyd Spence, who fear cuts have created a "hollow force".

One area of disagreement is likely to come over ballistic missile defences, where Republicans are committed to accelerate the deployment of both theatre and national ballistic missile defence capabilities.

The Clinton budget proposes only $2.9bn for ballistic missile defences in 1996.

US BUDGET DIGEST

Power sources may be sold off

Electrical power generators owned by the US federal government could be up for privatisation if a proposal in the Clinton administration's budget becomes law.

The budget, published yesterday, proposes selling off four regional power marketing administrations to raise a net total of $3.7bn (£2.3bn) over the next five years. Other asset sales, could raise another $3.6bn over the next five years.

Mr Newt Gingrich, speaker of the House of Representatives, has recently spoken approvingly of the concept of privatisation, but Republican enthusiasm for privatising the power marketing administrations is not assured, because these provide heavily subsidised electricity, especially to the western US.

The Congressional Budget Office calculated last year that the government charged an average of two cents per kilowatt-hour for its electricity, about 50 per cent below the market price. Selling the power to the highest bidder, it argued, could bring in around $1.2bn a year.

Environment to gain

The Clinton administration yesterday proposed to spend $73bn (£46bn) for research and development in 1996, maintaining spending roughly at current levels but continuing a shift from military to civilian projects.

The big gainer from the R&D budget would be the Environmental Protection Agency with a 15.8 per cent increase, the Transportation Department with a 10 per cent increase, and the Commerce Department with 9.3 per cent.

But defence R&D spending would decline by 3.1 per cent and agriculture's would fall by 3.6 per cent.

Many members of the Republican-dominated Congress are ideologically opposed to government involvement in R&D, arguing it can be handled more efficiently by the free market. But the administration warns, in its budget report, of increasing economic competition in the global economy.

Much of the new civilian money would expand existing programmes such as the "clean car" initiative to improve emissions control and fuel efficiency.

More development aid

Foreign operations spending by the US would rise by 8.8 per cent to $14.75bn (£9.3bn) in President Bill Clinton's proposed budget for the 1996 fiscal year, with an increase in development aid and continued heavy aid to Israel and Egypt.

Development aid would rise to $9.15bn under the president's proposal, with security assistance – most of which goes to Israel and Egypt – rising to 6.01bn.

The administration is seeking $788m in economic assistance earmarked for the former Soviet Union, with another $371m aimed at defence conversion and the dismantling of nuclear weapons. Eastern Europe is pencilled in for $480m.

The foreign aid segment of the budget, however, is one most likely to be savaged by the Republican-controlled Congress.

George Graham and Nancy Dunne, Washington

Mexican debt to increase

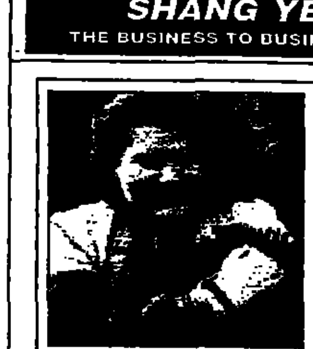
Mexico's foreign debt will increase by approximately $17bn (£10.7bn) over the next year, to nearly $103bn, as the country attempts to replace domestically issued obligations with longer-term securities, reports Ted Bardacke in Mexico City.

According to figures from the Mexican finance ministry, during 1995 Mexico's total public debt will remain the same at $116.9bn. But the composition of that debt will change radically, with internal short-term dollar-linked debt, principally *tesobonos*, being converted into dollar-denominated external debt with maturities of five to 10 years.

The ministry said that US loan guarantees, forming part of a $50bn international support package, would be used to back five to 10-year government securities denominated in dollars. The money raised via this new paper would pay off holders of *tesobonos* and other short-term instruments.

An additional voluntary swap mechanism for holders of *tesobonos* is still under study, as is whether new *tesobonos* will continue to be issued once the substitution plan is implemented. About $23bn in *tesobonos*, $16bn of that held by foreigners, comes due this year.

The substitution plan, together with December's devaluation, will increase Mexico's overall foreign debt – from 36.5 per cent of GDP in 1994 to 64 per cent in 1995. But the finance ministry said that foreign debt was cheaper at the moment and less risky than internal debt.



صكرا من الاهل

“THE corporation is dead. LONG LIVE *the* federation.”

If there's one thing that the world will never run short of it's business advisers. They're queuing up to offer their personal, and all very different, prescriptions to ease your business ills.

There is, however, one thing on which they all seem to agree.

The traditional, lumbering, top-heavy and multi-layered corporations of today cannot survive in the new chaotic marketplace.

And what do they predict in their place? Federations of smaller companies and groups free to move quickly and efficiently in an ever changing marketplace.

Are they right? Can a Federation really work? At Cable & Wireless we have to answer an unequivocal “yes” to both questions.

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It's a position we've attained by steadily building up partnerships with over fifty individual groups, including over a dozen Governments, twenty local companies and more than twenty five other communications operators worldwide.

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Take the mobile network set up recently by our colleagues at MTN in South Africa.

Because of their partnership with Cable & Wireless they were able to trawl the Federation for systems, equipment, advice and even key personnel.

They took a billing system, sales and marketing experience, and technical support from our partners in the UK (Mercury) and Bahrain (Batelco).

In fact they had so much support from the Federation that they were able to get the network running in a record five months.

That's how the Federation has worked for us. Over the next few days we'll be showing how it could work for you.

It's worth a read. After all, your business life might just depend on it.

THE CABLE & WIRELESS FEDERATION

An alliance of the world's most creative communications companies.

S Africa's police: riven, angry and underpaid

Roger Matthews finds the force is under pressure from the rapid changes in society

When, within a week, a white police officer shoots dead a black colleague who had gone on strike to protest about pay and racism, a police graduation ceremony is postponed because several cadets are discovered to have been convicted of serious crimes, and President Nelson Mandela threatens "the full wrath of government" for civil servants who disrupt law and order, it is clear that South Africa is battling through another agonising phase of its political transition.

The problems of the police are particularly acute and the challenges facing Maj Gen George Fivaz, newly appointed national commissioner of police, are among the most severe of any senior official chosen by the government of national unity in the wake of last April's general election.

Mr Fivaz, who will use the title of commissioner rather than his military style rank as part of an attempt to soften the police image, came to the post with one substantial advantage. He had not been associated with the security apparatus of the police whose prime responsibility was the enforcement of apartheid. Police excesses in defence of the apartheid system generated a hatred towards them which remains one of the most bitter legacies of the previous regime.

Just how much detail South Africans should be given about that ugly chapter of their history is an issue which has already threatened the stability of the government. President Mandela and Mr F.W. de Klerk, deputy president and leader of the National party, clashed angrily in cabinet last month over an attempt, made in the final days of the previous administration, to grant a blanket immunity from prosecution to two former ministers and 3,500 police officers.

Tense police standing guard during violent protests by taxi drivers in Johannesburg *Reuter*

The Nationalists, who governed South Africa for 46 years, are understandably defensive about the attempted amnesty and the past role of the police, while the voices of those who were tortured, or whose relatives died in police custody, are demanding full public disclosure and an admission of culpability.

The machinery is already being set up in the form of the Justice and Truth commission, but the debate continues over whether hearings should be in camera and only the adjudications made public. But there is a determination among the dominant African National Congress that, for an amnesty to be given, there must be first a public admission of a specific wrongdoing.

Inevitably, the uncertainty is contributing to tension among some white officers, while anger is growing among black colleagues over what they see as continued racism. Anger spilled over in the black township of Soweto outside Johannesburg last month when white officers of the Internal Stability Division stormed a police station to break up a strike by black staff, killing one. The conflict spread to other stations, with some white officers saying they had to flee for their lives and many more applying to be transferred from predominantly black areas. More than half Soweto's 400 white officers and support staff say they wish to move.

Simultaneously, the police forces of the former black homelands are being incorporated into a single national structure which will in turn be divided into nine regional bodies, each under a commissioner appointed by Pretoria. Just how much power should be devolved is the subject of fierce argument. The ANC favours community policing but under overall national control, while the National party and Chief Mangosuthu Buthelezi's Inkatha Freedom party, which both have an essentially regional power base, are arguing for greater local autonomy.

The dangers of devolution for the government were underlined last week when Mr Fivaz ordered authorities in KwaZulu-Natal to abandon a police academy graduation ceremony in Ulundi. Of the more than 600 cadets due to graduate, 28 had criminal records including murder, three were wanted by other police forces, and the backgrounds of another 100 had yet to be investigated. A significant number were also thought to be members or office holders of Inkatha, in direct contravention of the ruling which forbids police from engaging in political activity.

Against such a background it is hardly surprising that the police appear to be losing ground in the battle to contain crime. Although politically motivated violence has declined, murder, rape, burglary and car hijackings all rose sharply last year. Some of that increase may represent a greater willingness by the public to report crimes, but few people doubt that the trend is upward.

In more affluent areas, such as the northern suburbs of Johannesburg, residents rely primarily on the proliferating private security companies which provide armed units in response to alarm calls. These companies are now estimated to employ substantially more people than the police, and to pay them better. A police constable initially receives little more than $250 (£160) a month, and last year's annual pay award failed even to match inflation.

The budget in March will reveal what additional sources the government can make available to help rebuild police morale and calm public fears. Ministers are well aware that investor confidence in South Africa will in part depend on improvements to law and order. The police and the Johannesburg chamber of commerce have decided to begin deploying 250 men from public and private forces in a joint effort to improve security in the central business district of the city. It is a measure of how tightly stretched resources are that the extra policing will only be available in daylight hours.

Afghan Islamists aim to oust mujahideen

By Farhan Bokhari in Islamabad

Afghanistan faces the prospect of a new Islamic fundamentalist takeover, in some ways more conservative than the mujahideen factions that have ruled the country in the past three years, according to western diplomats.

In the past three months, a formerly unknown group of religious students calling themselves *Talibans* has seized administrative control of six out of 29 provinces, and another three may be about to fall, say mujahideen factions based in Pakistan's northern city of Peshawar.

The movement is also considering launching an offensive on Kabul, the Afghan capital, to take control of the central government, from President Burhanuddin Rabbani and Prime Minister Gulbuddin Hekmatyar, well placed mujahideen officials say. The *Talibans* are led by Mohammed Umar, a shadowy figure whose background is unknown.

The *Talibans*, mostly graduates of ultra-religious schools, want almost complete seclusion of women from society, in a way that could end the few token freedoms given under the three-year-old mujahideen government in Kabul: they want women to stop wearing make-up, even at home, and would bar them from employment in professions other than health-care for women or teaching in girls' schools.

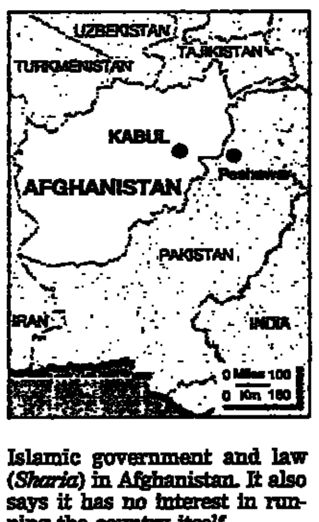
They also want to outlaw football and chess, as un-Islamic pursuits. Despite their extreme views, the movement, estimated to comprise up to 20,000 fighters, is becoming increasingly popular, diplomats say. In contrast to the Islamic mujahideen leaders who, in their involvement with western-funded guerrilla operations, made contact with western officials, the *Talibans* appear to have had little contact with the west.

Most of their lives have been spent studying at the hundreds of Islamic schools, mostly in Pakistan, from 1979 onwards when the Soviet army's arrival triggered Afghanistan's refugee exodus. Diplomats estimate that, of the 15m population of Afghanistan in the 1970s, more than a third left the country when the war began. About 3m came to Pakistan.

But their growing support comes largely from the frustration with the government in Kabul, where rival factions led by Mr Rabbani and Mr Hekmatyar, have fought each other for more than two years in an intense and bloody power struggle. The Red Cross estimates that up to 25,000 people have died in the fighting.

"People are frustrated here, they are welcoming any kind of change and I see that some of them might think this [*Talibans*] is the only solution," said one senior aid official

But the movement's precise objectives are not clear. It says it recognises no authority other than God and wants Islamic government and law (*Sharia*) in Afghanistan. It also says it has no interest in running the country itself.



INTERNATIONAL NEWS DIGEST

Guilty plea over NY bombing

The alleged mastermind of the plot to bomb the United Nations building and other New York landmarks pleaded guilty in a surprise move yesterday and read a statement implicating his alleged co-conspirators, lawyers in the case said. Siddiq Ibrahim Siddiq Ali, 34, gave his plea to Judge Michael Mukasey shortly before the trial was to resume and he agreed to co-operate with the government. The judge delayed proceedings until today because of the plea.

Prosecutors allege that Mr Siddiq Ali and 11 others planned to "wage a war of urban terrorism" in the US. Egyptian cleric Sheikh Omar Abdel-Rahman is accused of being the group's spiritual leader while Mr Siddiq Ali allegedly helped devise the plot. Siddiq Ali had been an aide and translator for the cleric. The defendants are accused of helping to plan the 1993 World Trade Centre bombing that killed six people and injured more than 1,000. They are also charged with plotting to bomb the United Nations and bridges and tunnels leading into New York City. The indictment also accuses them of involvement in the November 1990 murder of radical Rabbi Meir Kahane in New York and with planning to kill Egyptian President Hosni Mubarak during a 1993 US visit. *Reuter, New York*

Kyrgyz face second round vote

One of Central Asia's first experiments in free parliamentary elections produced an indecisive result last night and many Kyrgyz voters will have to go to the polls again later this month. The many candidates presented voters with a bewildering choice and produced inconclusive results in most constituencies with as many as 30 nominees sharing the votes.

Most candidates were local politicians unaffiliated to any national party. The second ballot, on February 19, will be a run-off between the two leading candidates for each seat. The communist party, which fielded more candidates than any other with 40 nominees, made a strong showing in Sunday's elections. A strong block of communist deputies could threaten to thwart the reformist ambitions Mr Askar Akayev, the Kyrgyz president. *John Thornhill, Moscow*

Arabs unite on Israeli N-bomb

Eight Arab states took a united stand yesterday against international tolerance of Israel's refusal to sign the Nuclear Non-Proliferation Treaty. Egypt, Syria and six conservative Gulf states, meeting in Cairo at foreign ministers level, said exempting Israel from nuclear inspections was incompatible with Middle East peace. Israel has never signed the treaty, which runs out this year, and the Arabs, led by Egypt, have taken the opportunity to lobby against the special nuclear status Israel has acquired.

Egypt, accepting reports that Israel has about 200 nuclear warheads, has said it would find it very difficult to sign an extended treaty if Israel does not sign too. The US, which gives Egypt some $2.2bn (£1.4bn) a year in economic and military aid, has been pressing Cairo to sign. US officials say a compromise might be possible, with Israel giving a commitment to sign at some later stage. *Reuter, Cairo*

Arafat condemns Gaza murder

Mr Yassir Arafat, leader of the Palestine Liberation Organisation, yesterday condemned Islamic extremists who shot dead an Israeli security guard in the Palestinian-ruled Gaza Strip. Mr Arafat, under intense Israeli pressure to crack down on Palestinian groups responsible for attacks on Israelis, accused Palestinian extremists of trying to undermine his fragile peace deal with Israel. *Julian Ozanne, Jerusalem*

THE WALPOLE COMMITTEE

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Halcyon Days

When the Financial Times celebrated its centenary in 1988, a special limited edition of enamel boxes was commissioned from Halcyon Days. The lid design featured a drawing of Bracken House, Cannon Street - the newspaper's headquarters at the time - and depicted around the sides were pink columns of newsprint. The box was an elegant and much-admired commemorative *objet d'art.*

Halcyon Days' artists and calligraphers excel at creating special hand-painted designs that are uniquely appropriate, whether for a single enamel to celebrate an anniversary or for an edition of hundreds of boxes, clocks or paperweights to mark a memorable event in a company's history. Among the many international organisations who have commissioned corporate designs are Coutts Bank, the Grosvenor Estate, P&O Shipping, Baxters Soup, Coca-Cola, Perrier, Taylor Joynson Garrett, the Worshipful Company of Farriers, The Green Howards Regiment and the New York Times.

There is also an extensive collection of elegant designs, any one of which can be inscribed with a personal message or a company's logo.

The Committee, which was established in 1992, aims to focus attention on British excellence, style, craftsmanship, innovation and service. These are qualities which all its members share and for which British products and services are renowned around the world.

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NEWS: WORLD TRADE

Sutherland warns on trade curbs

By Caroline Southey in Brussels

The dispute between China and the US over copyright violations was likely to affect China's efforts to join the World Trade Organisation, Mr Peter Sutherland, WTO director general, said yesterday.

Although multilateral negotiations on China's membership and the bilateral dispute were separate issues, he said, both covered the issue of intellectual property rights.

"The dispute over intellectual property rights cannot be considered totally irrelevant in terms of China's entry into the WTO, although I don't know what precise effect it will have on negotiations," he said. He added that the WTO had no role to play in the dispute between Washington and Beijing since China was not yet a member of the organisation.

He noted that there had been a "pause in activity" in China's accession talks since negotiations reached an impasse at the end of last year, and there were still "significant issues outstanding".

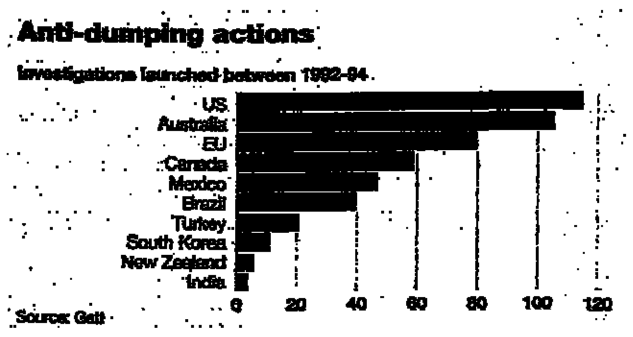
Mr Sutherland also warned that the proliferation of anti-dumping regulations posed a threat to world trade. "The abuse of the development of anti-dumping rules could be an enormously damaging development in terms of world trade if it were permitted to happen."

The WTO director general said experience showed that countries most ready to use trade defence mechanisms often suffered most: "The US in the old General Agreement on Tariffs and Trade system was the largest defendant but was also the largest plaintiff in terms of anti-dumping dispute proceedings." He said the use of anti-dumping rules used to be the prerogative of the EU and US but this was no longer the case. However, he added, the WTO had disputes mechanisms to deal with the problem "and hopefully we have the matter under control."

Mr Sutherland was speaking after addressing the first meeting of a committee set up under the WTO to draw up uniform rules of origin. It is the first attempt to do this in a multilateral framework.

Rules of origin have traditionally been drawn up by individual countries and provide the guidelines for deciding where products are made. The issue has become a source of tension between trading partners following the growth in foreign investment.

Mr Sutherland said rules of origin had "great potential to promote or impede international trade". The old Gatt "had nothing to say about the rules of origin" but the subject had been addressed under the Uruguay Round because of "the potential of this trade policy tool being used as a trade restriction".



Japan welcomes US action against China

By Michiyo Nakamoto in Tokyo

The stance taken by the US against copyright infringement in China has been welcomed by Japanese companies which have quietly suffered for many years from piracy in Asia.

Japanese music companies, publishers and video games manufacturers have increasingly been subject to copyright violations in China. "As a member of the record industry we have a similar sense of urgency as the US and welcome their move," said a representative of the Recording Industry Association of Japan.

Japanese publishers have also suffered from widespread copying. Kodansha, a leading publisher, says that it has contracts with Chinese publishers for the publication of 10 comics but that at least 40 to 50 other items by its comic book writers are being copied in China.

Japanese video games makers have been among the most active in fighting piracy in China but they have relied largely on their own efforts, and the Chinese police, to deal with the problem.

Sega, the video games maker, for example, sent its own employees into China to work with local authorities to locate factories pirating its machines and software. Last year, it became the first Japanese company to win an order against a local factory to halt production of pirated video games machines. Since video games are not difficult to copy, Sega has taken piracy very seriously.

While many Japanese owners of copyright deplore the situation in China, they have found it extremely difficult to grasp the extent of the piracy taking place there. The RIAJ concedes that it has no idea how much Japanese music is actually being pirated in China.

Piracy in China has grown as international pressure and local policing have curbed violations in other Asian countries which used to be the main culprits. A few years ago, Taiwan was the base for pirated music, but after considerable pressure from the recording industries, many factories there closed and either sold their equipment to factories in mainland China or set up facilities there, the RIAJ says.

Japanese companies are also sceptical that copyright can be enforced in a large country such as China where the concept of intellectual property is still vague, as it was in Japan itself in the past.

"We welcome the US move but I think it will take China four to five years" to bring its copyright environment up to international standards, said Mr Masahisa Aizawa, international director of the Japan Association of Music Entertainment.

An official at Kodansha said the publisher co-operated with the Chinese authorities in trying to track down piracy but it had not put all its efforts into the job. "The US move will have an impact but it is impossible to control a vast market like China," he said. "Even if you try to wipe out piracy, it won't disappear."

Deals mark US-Israeli free trade anniversary

By Julian Ozanne in Jerusalem

Israel and the US yesterday celebrated the 10th anniversary of their free trade agreement by announcing design contracts for US companies worth $39m and grants worth $7m to develop joint high technology projects.

US commerce secretary Ron Brown said his visit to the region was designed to promote economic partnerships, foster economic growth and investment and provide underpinning for Middle East peace.

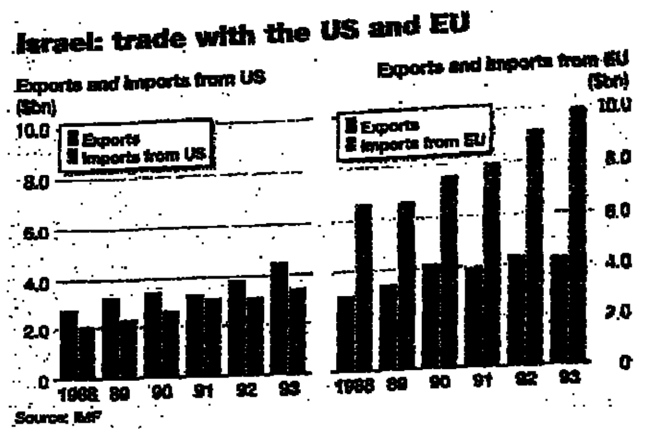
"Security and economic development interests go hand in hand," Mr Brown said. "In the long term there will be stability when people feel secure in their person and in their economic standards of living."

Mr Brown, together with Mr Yisrael Kessar, Israeli minister of transport, announced that TRA Architecture Engineering, a subsidiary of Black and Veatch, had won a $17.8m design contract for an Air Sight terminal at Ben Gurion Airport. Two other US companies have won design contracts worth $16.8m for ground and landscaping facilities at the new terminal. US officials said the design contracts could lead to significant downstream projects from other US companies as the design specifications would favour US technology.

Earlier Mr Brown, together with trade and industry minister Micha Harish, announced winners of the first grants awarded by the year-old US-Israel Science and Technology Commission. Two projects, one involving high-performance imaging cameras for nuclear medicine and one to develop aquaculture, involve approximately $16m in cost-sharing between Israeli and US companies over four years. The third project involves a feasibility study to be conducted by McDonnell Douglas Aerospace and Israeli companies to develop a solar power generation system for a project which, if realised, would be worth $8m.

Trade between Israel and the US has climbed sharply in the past 10 years and last year reached $9.4bn, excluding military sales. Israel has a trade surplus with the US of $1bn.

Mr Brown also hailed what he described as an "unprecedented" meeting of the trade ministers of Israel, the US, Egypt, Jordan and the Palestinians which opens in Egypt today. The meeting is expected to discuss ways of advancing regional integration and infrastructure development projects and create a permanent regional trade institution.



WORLD TRADE NEWS DIGEST

EU disagrees on aid for ACP

Talks on a new financial aid package for African, Caribbean and Pacific (ACP) countries stalled yesterday after foreign ministers of the European Union failed to agree on a new five-year spending plan. France, which holds the rotating EU presidency, said it would call an emergency meeting of foreign ministers on February 15.

Mr Alain Juppé, the French foreign minister, said the present offers of aid were untenable and he had no intention of delivering the bad news of an aid cut to ACP countries, many of them former French and British colonies. France had supported an EU Commission proposal that the aid budget should be increased from Ecu10.94bn (excluding European Investment Bank loans) to Ecu14.3bn ($17.6bn) for 1995-2000. Mr Juppé said it was vital to maintain support under the European Development Fund in real terms. The proposal met fierce resistance from Germany, Britain and the three new member states, Sweden, Finland and Austria.

The UK had sought a 10 per cent reduction in its contribution, which was 16.5 per cent of the total in the last budget. The new EU members argued against a larger EDF budget on the grounds they had no historical commitments to Africa. The foreign ministers did, however, manage to agree a preferential market access package covering agriculture, including mandarins and grapes and rum. *Caroline Southey, Brussels*

US seeks Ukraine N-deals

The US government yesterday stepped up efforts to promote US companies vying for contracts in Ukraine's nuclear energy sector. A $200,000 grant from the US Trade and Development Agency will help fund feasibility studies by Westinghouse, the nuclear energy giant, on the modernisation of Ukraine's 10 operating VVER-type reactors. Last year Westinghouse formed a venture with Khartron, a large nuclear missile guidance system producer picked by the Ukrainian government to overhaul Ukraine's five nuclear stations. The venture is backed by US defence conversion funds covering 27 per cent – up to $4m – of Westinghouse investment.

Westinghouse faces stiff competition from ABB Power Combustion, an affiliate of the Swiss-Swedish engineering concern, Siemens of Germany and Framatome, the French nuclear plant supplier, in the technology services and equipment supply market in the former Soviet republic.

Pressed by energy shortages, the Ukrainian government has decided to go ahead with construction of five new VVER reactors despite domestic and international concerns over safety. The construction and overhaul work awaits funding. The European Union has committed roughly Ecu25m ($30m) to nuclear safety but most cannot be released until Ukraine agrees to close Chernobyl's older RBMK reactors. *Matthew Kaminski, Kiev*

■ GE Power Systems, part of General Electric of the US, has signed a memorandum of understanding to establish a joint venture with St Petersburg-based AOOT Kirovsky Zavod. The venture, to be 70 per cent owned by GE, will make heavy-duty gas turbines for the Russian market. It will go into effect in the first half of this year. *Andrew Baxter, London.*

■ GEC Alsthom has, as expected, signed an agreement with the China Guangdong Nuclear Power Holding Company to supply the conventional equipment for a new nuclear plant at Lingao in Guangdong province. The project could be worth up to £350m ($546m) for the Anglo-French engineering group, and is part of a $2.8bn deal announced last month for the second stage of the Daya Bay nuclear project. *Andrew Baxter, London*

■ Philips Lighting and Polam Farel of Poland have reached agreement on a joint venture in light fittings. Polam Farel is the leading maker of indoor light fittings, with about 30 per cent of sales exported and is based in Ketrzyn in northeast Poland. The new company will strengthen Philips Lighting's position on the light fitting market, especially in eastern Europe, Philips said. *AFX, Eindhoven*

■ Manila-based investment company First Gas Holdings plans to build a 400MW natural-gas-fired power plant in southern Luzon island. Newly registered First Gas is to sell power to Manila Electric Co (Meralco). British Gas owns 40 per cent of First Gas, while Meralco and its pension fund subsidiary hold 10 per cent each. *Reuter, Manila*

■ Members of the East Asian Growth Area are finalising an air agreement to allow unhampered entry of flag carriers to destinations in the Philippines, Indonesia, Malaysia and Brunei. The Civil Aviation Board in Manila has approved a draft memorandum of understanding allowing unlimited access by the countries' carriers to four Philippine destinations. *Reuter, Manila*

Private buyers stay away but sales to business sector show increase

Car registrations in decline

By Kevin Done, Motor Industry Correspondent

UK new car registrations fell last month by 3.7 per cent year-on-year to 191,186, the fourth successive monthly decline.

Sharply declining demand from private buyers is undermining the new car market despite heavy spending by carmakers on sales incentives.

The January new vehicle registration figures released yesterday by the Society of Motor Manufacturers and Traders underline the divergent trends in the development of UK consumer and business confidence. They show:

- a decline of 12.9 per cent year-on-year in car sales to private buyers to 88,900;
- an increase of 6.1 per cent in car sales to businesses and fleet operators to 102,286; and
- a rise of 28.6 per cent in registrations of new commercial vehicles to 21,801.

Sales to private buyers have fallen for seven months in a row, and weakening consumer confidence is causing increasing concern for carmakers.

"Last week's rise in interest rates is likely to make private purchasers increasingly reluctant to come to market," warned Mr Ernie Thompson, SMMT chief executive.

Mr David Gent, director general of the Retail Motor Industry Federation, was "deeply concerned over the impact of last week's further upward move in rates on car sales over the coming months. The link between the housing and new car markets is so strong that we will undoubtedly remain under pressure for the future as the Miras (mortage interest relief) cuts bite into household budgets in April, and recovery in house prices now looks a distant prospect."

The recovery in the UK new car market began to falter last summer. New car registrations in the whole of 1994 rose by 7.5 per cent to 1.91m, but sales were lower than a year earlier in each of the last three months of the year.

The fall in demand has been moderated by the continuing strength of the fleet sector (operators of 25 or more vehicles), where registrations rose last month by 7.4 per cent year-on-year to 88,103. Sales to the small and medium-sized business sector (operators of less than 25 vehicles) fell by 1.9 per cent to 14,183.

Private purchasers accounted for only 46 per cent of the new car market in January compared with 51 per cent in the same month a year ago.

UK NEW CAR REGISTRATIONS (Jan '95)

	Volume (Units)	Volume Change(%)	Share (%) Jan 95	Share (%) Jan 94
TOTAL MARKET	191,186	-3.7	100.0	100.0
UK produced	78,587	-12.6	41.1	45.3
Imports	112,599	+3.7	58.9	54.7
Japanese makes	21,819	+6.0	11.4	10.3
Fleet/Business	102,286	+6.1	53.5	48.6
Private	88,900	-12.9	46.5	51.4
MANUFACTURERS:				
Ford group	44,396	-10.0	23.2	24.8
– Ford	43,237	-10.9	22.6	24.4
– Jaguar	1,159	+44.5	0.6	0.4
General Motors	32,891	-10.1	17.2	18.5
– Vauxhall	31,780	-10.9	16.6	18.0
– Saab	1,111	+22.1	0.6	0.5
Rover group	26,596	-10.6	13.9	15.0
– Rover	20,382	-18.1	10.7	12.5
– [illegible]	6,214	+27.8	3.2	2.5
Peugeot group	25,358	-1.8	13.3	13.0
– Peugeot	14,470	+14.4	7.6	6.4
– Citroen	10,888	-17.0	5.7	6.6
Renault	12,043	+11.9	6.3	6.4
Volkswagen group	11,037	+2.8	5.8	5.4
– Volkswagen	7,277	+4.1	3.8	3.5
– Audi	2,091	+6.9	1.1	1.0
– SEAT	546	-37.8	0.3	0.4
– Skoda	1,123	+23.0	0.6	0.5
Nissan	7,869	-19.4	4.1	4.9
Fiat group	5,861	+47.7	3.1	2.0
– Fiat	5,711	+49.3	3.0	1.9
– Alfa Romeo	[illegible]	+23.9	0.1	0.1
Honda	4,929	+107.3	2.6	1.2
Toyota	4,233	+12.1	2.2	1.9
Volvo	4,094	+13.4	2.1	1.8
Mercedes-Benz	3,785	-0.3	2.0	1.9
Mazda	1,482	+0.1	0.8	0.8
Hyundai	1,296	+7.8	0.6	0.6
Suzuki	1,052	-4.1	0.6	0.6
Mitsubishi	1,007	+44.9	0.5	0.4

[illegible]

Source: Society of Motor Manufacturers and Traders

Quango reform ruled out as funding grows

By James Blitz and Andrew Adonis

Reforms to quangos and other unelected bodies were ruled out by the government yesterday despite mounting criticism of their wide-ranging powers and a 27 per cent increase in government funds under their control.

Official figures released yesterday showed that the amount of state funding for "appointed executive bodies" had doubled in real terms since 1979, to £15bn.

State funding for such bodies – quangos, which do not include National Health Service trusts and other large spending agencies such as Training and Enterprise Councils – rose by £3.19bn ($4.97bn).

This is the largest increase for a single year since the Conservative party took office in 1979, despite the low level of inflation.

The bodies are responsible for activities as diverse as the Citizen's Charter and university funding.

The number of appointees to quangos also rose last year, and now stands at 42,876.

As the Nolan committee investigating standards of public conduct prepares to consider whether an independent body should be partly accountable for such appointments, the government maintained yesterday that the final decision over filling all quango posts should continue to lie with ministers.

Outlining the evidence that he will deliver to the Nolan committee today, Mr David Hunt, the minister for public service, rejected claims by opposition MPs that most appointments in recent years have been given to Conservative party supporters.

He said the current system of appointments could be improved by a number of measures, including more advertisements in newspapers, clearer job descriptions and the reasons for decisions fully recorded.

He also stressed that it was important to maintain a "sense of balance" in quango appointments, recruiting people "from all walks of life".

UK NEWS DIGEST

French and US groups join bid for rail link

Two new partners have joined Union Link, one of the four consortia bidding to build the £2.9bn ($4.5bn) high-speed rail link between London and the Channel tunnel, Union Link said. The two companies are Setec, one of the largest independent French engineering companies, and Kaiser Engineers and Constructors, part of the US engineering and construction group ICF Kaiser International. At the moment trains using the tunnel to reach Paris and Brussels from London use existing tracks in England.

Union Link said the new arrivals would broaden the range of skills in the consortium following the decision last December by Taylor Woodrow, the UK property and construction group, to leave. The bill authorising building of the link was given an unopposed second reading in Parliament last month, but is expected to take a further two years to complete the parliamentary process. Final bids for the contract must be made by March 14. Other members of the Union Link consortium are W.S. Atkins, the consulting engineers, John Mowlem Construction, Philipp Holzmann of Germany, Spie Batignolles of France and AEG of Germany.
Charles Batchelor, Transport Correspondent

Excerpts from arms to Iraq inquiry back Thatcher

Baroness Thatcher had no personal knowledge of exports to Iraq which were known to be defence related, according to draft extracts of Sir Richard Scott's inquiry report.

The finding accepts a central plank of the former prime minister's evidence to the inquiry in which she distanced herself from responsibility in the arms-for-Iraq affair.

However, it is only a partial extract of the inquiry's findings and may not totally exonorate her of the blame that is expected to be placed on civil servants and past and present ministers in the report due to be published after Easter.
Jimmy Burns

Lloyd's acts on Names' damages

Lloyd's of London yesterday highlighted the difficulties it faces this year in satisfying regulators about many loss-making members' finances by unexpectedly announcing steps to recover damages won in court by Names.

Mr David Rowland, Lloyd's chairman, said that without the proposed rule change – which is vigorously opposed by groups representing hard-hit Names – the insurance market would find it harder to pass solvency tests set by the Department of Trade and Industry.

But he said the decision had been taken mainly to ensure fairness between Names, individuals whose assets have traditionally supported the insurance market.

In a letter to Names, Mr Rowland expressed confidence Lloyd's would satisfy regulators that it could meet shortfalls in Names' assets by using central resources.
Ralph Atkins

Builder's widow is accused of murdering 10 women

Mrs Rosemary West appeared in preliminary proceedings in a small country courtroom accused of murdering 10 young women. Among alleged victims of the 41-year-old mother of seven are her 16-year-old daughter Heather and eight-year-old step-daughter Charmaine. Remains of nine of the alleged victims were recovered in a police dig last year in a house and garden in the city of Gloucester in western England.

This was the home Rosemary West shared with her husband and co-accused, the builder Frederick West, who was found hanged in his prison cell on New Year's Day. *PA News*

● Chatterbox Shoes, a children's shoe factory in the English Midlands, is to close with the loss of 95 jobs because of competition from cheap imports. The family-run business will cease trading after more than 70 years. *PA News*

Premature celebration

THE NATIONAL LOTTERY

A couple who thought they had won a large share in a £10m ($15.7m) prize in the national lottery hastened to a pub to celebrate with the other 11 members of their syndicate and sat down to plan expensive holidays. Their celebrations, which began after the winning numbers were drawn on television on Saturday night, continued into Sunday morning, by which time syndicate members were telephoning relatives to offer them expensive presents. Only then did the nine-year old daughter of the couple in Portsmouth, southern England, admit that she had marked the winning numbers on a synicate ticket as they were drawn on television – more than an hour after the sale of tickets had closed. *PA News*

Labour leader's call

Mr Tony Blair, leader of the opposition Labour party, urged activists to have the "guts" to help the party win the next general election by abandoning the commitment to wholesale nationalisation in Clause 4 of its constitution. In a passionate speech to a party conference, Mr Blair said his plan to rewrite Clause 4 had to succeed if Labour was to win.

Departing from his prepared text, the leader of the Labour party appealed for support from ordinary party members against widespread criticism of his proposals from leftwing constituency and trade union officials. "The only time we have ever been able to do anything is when sensible, radical people on the left have had the guts to get themselves in order so that they can change things." *Kevin Brown, Political Correspondent*

Pension scheme change

The Post Office Staff Superannuation Scheme is to sell its holding in PosTel Investment Management, the in-house manager for both its own pension assets and those of British Telecommunications, the former state utility. PosTel will become wholly owned by the BT pension scheme although it will continue to act under a "long-term" contract as the investment manager for about £10bn in pension assets of Post Office scheme members. PosTel's assets under management constitute the UK's largest pension scheme. It was created in 1983 when the Post Office and BT were split. It manages assets of £26bn ($40.5m), about 80 per cent of the assets of each scheme. *Norma Cohen, Investments Correspondent*

Spending spree: Shoppers will spend a third of their cash in out-of-town stores within four years in spite of government attempts to revive high streets, says a report by the retail analyst Verdict. Planning permission already granted will lead to a further 2.5m sq m of out-of-town shopping space by the end of 1998, the report says.

Retail group to expand: B&Q, the home improvements retailer, is to create more than 2,000 new full-time and part-time jobs this year in a £20m expansion of its store chain. The programme could create 7,000 to 8,000 jobs over the next five years. The company, a subsidiary of the Kingfisher group, plans about 50 giant B&Q Warehouse stores in the next five years.

Doctor struck off: A doctor who prescribed large amounts of a powerful painkiller to a drug addict was struck off the register when he was found guilty of misconduct by the General Medical Council. Dr Benjamin Anazodo of north-west London appeared in handcuffs before the council's Professional Conduct Committee. A lawyer for the council said a 44-year-old drug addict had died in 1993 from a massive overdose of Palfium, a strong painkiller usually given to terminally ill patients. Dr Anazodo denied overprescribing Palfium.

Whitehall plays down Major speech

By Robert Peston and Kevin Brown

Downing Street yesterday worked furiously to deny reports that a speech by Mr John Major on Friday had aimed at increasing hurdles to UK participation in a single European currency, while the Liberal Democrats said they would try to engineer an embarrassing Commons defeat for the government on Europe.

Yesterday they began work on drafting a motion on a referendum on constitutional changes, worded to unite them with Labour and Ulster Unionists who have fallen out with the government over its management of the Irish peace process.

Mr Major had told the Conservative Way Forward Group that Mr Kenneth Clarke, the chancellor, would at a meeting on Thursday spell out the "right" economic conditions for UK participation in a single currency.

A senior Conservative party official had on Friday night described Mr Major's speech as an important policy development. However, Downing Street and the Treasury yesterday tried to play down the significance of both Mr Major's speech and another to be given by Mr Clarke, spelling out the economic factors which will determine whether the government recommends sterling's inclusion in a European currency.

In remarks thought to be aimed at dispelling fears among other EU members that the UK is trying to rewrite the conditions for the creation of a single currency, Downing Street said the reference to wider economic factors in any monetary union decision was consistent with a Maastricht treaty clause.

This clause says that a range of economic factors – such as unit labour costs and the balance of payments – will be taken into account in any recommendations by the European Commission and the European Monetary Institute on timing.

When questioned as to why Downing Street was now apparently disagreeing with Conservative Central Office's earlier interpretation of Mr Major's speech, the party official said: "I am sure Downing Street is right. I always make a point of deferring to Downing Street."

Tory rightwingers appeared unruffled by the shifting interpretation of the prime minister's speech, which many regarded as an indicator of the government's more Eurosceptic mood, in spite of the confusion over its meaning.

Rightwingers also said it was far from certain that the nine Tory rebels deprived of the whip would vote with the Liberal Democrats for a referendum. Labour also said that the Liberal Democrats could not count on its support.

Shirayama treads water by the Thames

The future of London's County Hall is still uncertain two years after its sale to Japan, writes Simon London

If it were not such an important building, the confusion surrounding the future of County Hall, the imposing former home of the Greater London Council on the south bank of the River Thames, would be comical.

Two years after it was sold to Shirayama, the Japanese developer, the landmark building close to the Houses of Parliament is still a shell.

Development work has stopped because Shirayama says it is in dispute with the London Residuary Body, the government agency from which it bought the building. The LRB is mystified and says it has done nothing to prevent Shirayama continuing development.

The National Audit Office, the public spending watchdog, is investigating the sale following revelations that £10m of the £60m purchase price had been covertly deferred until 2012.

Shirayama caused consternation last November when it appeared to abandon plans for a hotel and leisure complex in favour of a loosely defined "Pacific-Asia Centre".

Mr Richard Branson's Virgin Group, which was to run the 600-bedroom hotel under the original proposals, threatened legal action.

Shirayama's representative in London, Mr Mac Okamoto, has added to the confusion by using two aliases – Mr Mac Toyota and Mr Kenzo Honda – which he describes as "stage names".

Despite this history of controversy and confusion, Mr Okamoto remains enthusiastic about the future of the project. He maintains that the audit office will find nothing wrong with Shirayama's acquisition of County Hall. And although development work has been halted, Mr Okamoto claims Shirayama is spending £1m a month on County Hall. He is happy to display cheque-stubs – £100,000 for steel-framed windows, £300,000 for insurance – to suggest that cash is being spent.

Mr Okamoto also maintains that plans for a Pacific-Asia Centre have been misunderstood. Shirayama still aims to create a leisure and education centre, but with office and conference facilities attached.

The old plans were dropped because the investment necessary to create a luxury 600-bedroom hotel covering a third of the huge site, was regarded as too risky. The new scheme envisages:

- A 200-bedroom hotel covering 200,000 sq ft. County Hall, with its large rooms and river views, lends itself to hotel use. The main obstacle is Big Ben, which will keep jet-lagged travellers awake unless the building's listed windows can be soundproofed.
- A conference centre of about 270,000 sq ft including the listed council chambers and committee rooms once used by London's local government.
- A fitness centre and swimming pool on the top floor, giving panoramic views and covering about 40,000 sq ft.
- Restaurants covering 120,000 sq ft including a Chinese restaurant on the first floor overlooking the river and roof terrace.
- Europe's largest aquarium in the basement and ground floors, taking up about 150,000 sq ft. Funds for this project are being sought elsewhere.

These projects account for about half the available space. Shirayama is looking for tenants for the remaining 700,000 sq ft.

Mr Okamoto hoped the Pacific-Asia Centre concept would help attract office tenants such as trade organisations. But he has received a wide range of proposals for parts of the building, including schemes for a virtual reality centre and a Metropolitan Police Museum.

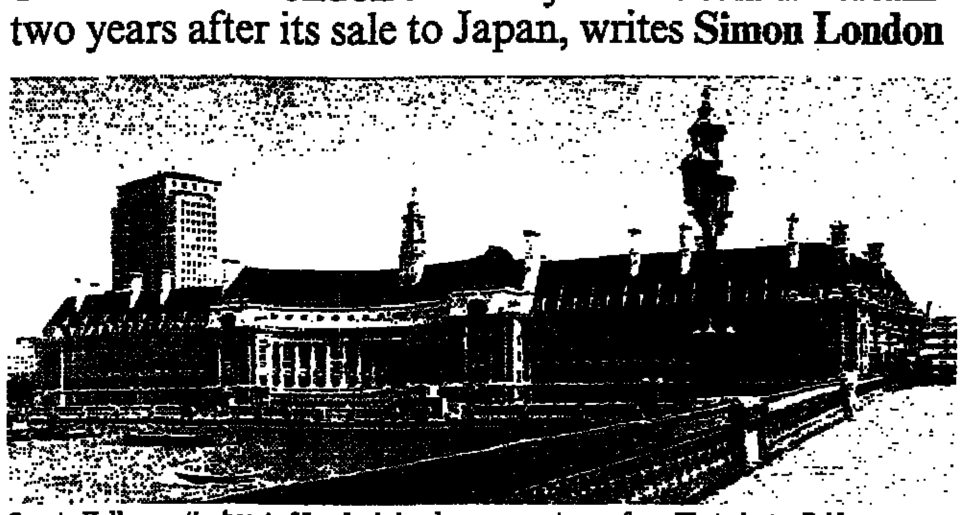
While the new plans suggest that Shirayama has scaled back its planned capital commitment to County Hall, preserving the fabric of the building and providing basic services such as boilers and lifts will still require a large investment.

Mr Okamoto estimated that basic works and services would cost about £30m. Including the hotel and fitness centre, which Shirayama plans to fund itself, the company will have to find about £50m in addition to its £50m or £60m acquisition cost.

So is Shirayama still willing to make such an outlay?

Mr Okamoto insisted that the company had no intention of pulling out of the project, although it had received many serious, if unsolicited, offers over the past year. The London School of Economics, which fought a long battle to make County Hall its new home before the deal with Shirayama was finalised, has certainly given up the fight.

Mr John Ashworth, the LSE's director, said: "There can be no interest on our part unless there is a willing seller. Even then we would be bound by the government's decision that it would be too risky for us to buy the site. We have moved ahead with alternative plans and, frankly, the whole issue is a distraction."



County Hall, once the heart of London's local government, seen from Westminster Bridge

Years of uncertainty

1986 Conservatives abolish Labour-led Greater London Council, Europe's biggest municipal authority, and hand its powers to 32 borough councils. London Residuary Body created to dispose of assets of abolished council including County Hall.
1988 Residuary Body accepts bid of about £170m for County Hall.
1989 Labour-led Lambeth Borough Council rejects planning applications for hotel and office developments.
1990 Planning Inspector rules against County Hall Development Group plans; group goes into receivership.
1992 Residuary Body rejects £20m bid from London School of Economics in favour of £60m offer for main riverside building from Shirayama Corporation of Osaka.
1993 Shirayama completes purchase; remaining buildings are sold to Frogmore Estates for £17.5m
1994 Labour Baroness Hollis says County Hall should return to public sector because its privatisation has been "a shambles"; Lord Plummer, Conservative leader of GLC in late 1960s, says building should not be allowed to "lapse into an eastern bazaar".

Mark Thatcher faces US lawsuit

By William Lewis

Mr Mark Thatcher, son of the former British prime minister, is facing a potentially damaging US legal action relating to the takeover of a Texas aircraft fuel company.

In a lawsuit filed yesterday in Houston, Texas, Mr Thatcher is accused of conspiring with others to defraud a businessman and obtain ownership of the aircraft fuel company.

The lawsuit states: "This conspiracy has included the use of mail fraud, wire fraud, tax fraud, bankruptcy fraud, money laundering, usury, common-law fraud, deceptive trade practices, perjury, theft, and assault to accomplish its ends."

The civil action has been brought by Mr Jay Laughlin, who part owned Ameristar, a Houston-based company. Mr Laughlin is suing Mr Thatcher and five other defendants for damages of at least $7m.

A spokesman for Mr Thatcher said last night: "We have not seen the lawsuit but we believe it to have been filed with no merit and we will be defending all the claims."

Mr Laughlin claims he has been defrauded out of his part ownership of Ameristar. He states that following Mr Thatcher's involvement with Ameristar the company went from a positive net worth of $2m to a negative net worth of $6m.

Ameristar filed for Chapter 11 bankruptcy proceedings in August and has recently signed an agreement to sell its assets to another US company.

The lawsuit also names Mr David Wallace, a friend of Mr Thatcher's and a co-defendant. The suit claims that Mr Thatcher "injected himself into virtually every area of the Ameristar Companies' operations and management." It also states that "all of Wallace's actions were taken with the knowledge and at the behest of Thatcher".

Mr Thatcher has denied any close involvement with the Ameristar group.

Poor UK fire service performance is blamed on funding system

By John Authers

Fire deaths and losses in England and Wales could be halved if government policy on the fire service was reformed, the Audit Commission said today.

A report, produced for the commission by Ernst & Young, the management consultant, calls for an urgent review of fire service funding arrangements and urges the government to give fire authorities a statutory duty to promote fire safety.

It says fire-prevention measures are actively discouraged by the system of funding, which is based on the number of call outs attended. Under the present system, brigades receive £476 for every fire or false alarm. They would therefore lose funding by carrying out fire-prevention measures.

Evidence from the US suggests that fire-prevention programmes have cut the number of fires by 40 per cent over the past 10 years. In the same period in England and Wales, the number of fires increased 20 per cent, while "serious" fires – those which strike occupied buildings, spread between buildings, or cause casualties – rose 32 per cent.

Fires claim about 600 lives in England and Wales each year and last year were responsible for losses of £2.45bn ($3.82bn), slightly more than the fire services' annual budget of £2.37bn. Of property losses fully covered by insurance, £725m were commercial and £250m domestic.

The report sharply criticises the government's formula for allocating grants to fire brigades because it does not include cash specifically for fire-prevention work.

It also critices the service's risk-assessment methods as outdated and simplistic. City centre office blocks, where fire prevention and safety measures are generally adequate, are given higher priority than multi-occupancy domestic "bedsit" properties, where the risk of fire deaths is much greater.

The report also attacks the fire service's pension scheme as costly and said it could "increasingly damage fire-fighting capability". Pensions are largely paid out of brigades' revenue expenditure, and accounts for 11 per cent of annual spending on fire services. This will rise to 25 per cent over the next decade.

Mr Mick Warner, chairman of fire services for the Labour-controlled Association of County Councils, said: "The commission has now said what we have been saying for years: it isn't the fire service stifling improvements, it is the government's funding formula and national framework."

- *In the Line of Fire: Value for Money in the Fire Service – the National Picture. HMSO £10.*

TECHNOLOGY

War on suspicious payments

Vanessa Houlder on Visa's new fraud-fighting method

Anyone who uses a plastic payment card unwittingly provides a central computer with a detailed picture of his or her spending habits. That information is increasingly being put to use in the battle against card fraud.

Visa, the international card payments system, is testing an electronic system that Robert Littas, vice-president, describes as "the most advanced fraud detection system available".

The system, called the Cardholder Risk Identification Service, has recently completed a trial in the US and Canada, which saved $40m (£26m) over six months by cutting down fraud. It has now started a four-month trial in Spain, which aims to detect fraud on cards issued in the UK, France, Germany and Italy.

The technology behind CRIS is a neural network at Visa's central computer system in McLean, Virginia. This is a device composed of many parallel, interconnected computing units which is capable of recognising patterns within large amounts of data.

The system alerts card issuers 12 times a day to high-risk transactions

The information supplied by three months of Visa transactions is enough to give the system a picture of where and when individuals usually spend their money, and the type and price of goods and services they buy. It is then capable of picking out transactions that fall outside the usual pattern.

The system alerts the card issuers 12 times a day to high-risk transactions. The issuer can contact the cardholder or a relative to check the authenticity of the transaction.

The ability to alert cardholders within hours of the suspicious transaction taking place cuts down the "fraud cycle", since many cases are not reported until the monthly bill is submitted.

The system also detects patterns in the behaviour of fraudsters. One example is that card thieves often fill up a car with small amounts of petrol as a simple test of whether the theft of the card has been reported.

As CRIS comes into use, some fraudsters may learn to change these tell-tale patterns of behaviour. But their need to buy expensive goods quickly is likely to continue to give them away. "They will still want to buy Rolex watches," says Littas.

Alongside CRIS, Visa is working on another neural network system, called the Merchant Risk Identification System, which will identify the locations where criminal activity is most prevalent. As a result, banks can work with merchants to reduce risk and look for possible collusion by staff. MRIS is "still at a conceptual level", but will probably be piloted in the US at the end of the year.

These systems will not replace existing anti-fraud measures. Rather, they will be used in conjunction with other measures and to complement the neural network systems already used by some banks.

The system is not infallible. "We don't know how many fraudulent transactions are not picked up by the system," says Littas. "There are probably a number of fraudulent transactions that go through."

It also issues many false alarms. Typically, the issuing banks using CRIS follow up 30 to 40 innocuous transactions for each one that proves fraudulent.

This means that banks are not prepared to stop suspect transactions at the time they are made. An apparently suspicious succession of jewellery purchases could simply be explained by the cardholder being on honeymoon, says Littas.

Even so, CRIS has the potential to annoy customers, particularly if card issuers check suspect deals with the cardholder's relatives. Anyone conducting an illicit affair, or even buying a surprise gift, is unlikely to be enthusiastic about a card issuer alerting their household to a suspicious transaction.

Littas says there has been "almost no negative reaction" from individuals concerned that their privacy is being invaded.

Nonetheless the privacy issue is taken seriously. "The decision about whether we go forward and do this in real life is very dependent on this [issue]," he says.

"It is in the interest of nobody to disturb the relationship between issuing bank and their customers."

Vanessa Houlder reports on the advantages of case-based reasoning, the latest problem-solving technique

Back to the future

For years, artificial intelligence has been accused of promising too much and delivering too little. But case-based reasoning, a relatively recent offshoot of artificial intelligence, is beginning to prove itself in practical problem-solving.

"The technique is still in its formative stage," says Joe Carter, head of Andersen Consulting's centre for strategic technology at Palo Alto, California. "It is not in widespread use but it is very promising. It has many advantages."

One advantage of CBR is its conceptual simplicity. Just as humans tend to solve problems by drawing on their past experience, CBR works by adapting solutions that were used to solve old problems. The user presents the new problem to a computer that contains a library of hundreds or thousands of past cases. The computer retrieves the most similar case and, if necessary, adapts it to suit current circumstances.

The most common use of CBR is in helping companies deal with technical problems with their equipment. The pace of technical change, together with the relatively high staff turnover on most IT help desks, creates a need for a system that allows inexperienced users to tap into existing knowledge about the problems and faults thrown up by the equipment.

For example, CBR has been applied to the IT help desk at J. Sainsbury's Blackfriars headquarters in London, which fields 1,400 calls a day concerning everything from the breakdown of a sales terminal to a malfunctioning printer. It has installed the CBR Express system, designed by Inference Corporation of El Segundo, California, and Slough, Berkshire.

The system, which stores about 4,000 previous cases, is capable of assisting the help-desk staff to answer about 60 per cent of their queries. "It is now used as a key problem-solving tool in assisting help desk analysts," says Dilip Popat, senior manager, computer services branch. "It has been a very good investment on our part."

Other applications of CBR are largely restricted to academic circles and a modest number of industrial pioneers. "Knowledge of CBR is spreading rapidly through academia. In industry, very few people know about it," says Rob Milne, managing director of Intelligent Applications, a UK distributor of ReMind software.

Nonetheless, CBR is proving useful in cases where more established artificial intelligence techniques have failed. In particular, CBR can cope with situations that cannot be tackled by expert systems, a problem-solving technique that uses explicit rules to find solutions. In cases where there is no clearly understood model of how something works, CBR often proves useful.

In some circumstances, it can be more effective than neural network systems, which are computing devices that are capable of picking out patterns from large databases. Whereas a neural network cannot explain its findings, a CBR system can provide supporting reasoning.

The scope of CBR embraces a wide variety of industries. Following the pioneering work of Roger Schank at Yale University in the early 1980s, researchers have designed CBR systems that tackle everything from the travel plans of Cyrus Vance, the ex-US secretary of state, to medical diagnoses, law and cookery.

CBR's first commercial application was at Lockheed, the US aerospace company. The problem it tackled was how best to design the layout of parts within an autoclave. Because the heating characteristics of the parts in the autoclave are complex and poorly understood, the operators relied upon their previous experience of successful parts layouts. In 1987, Lockheed started to develop a CBR system called Clavier, which is able to recommend new layouts by searching and adapting previously successful layouts.

The aircraft industry also uses CBR for maintenance and fault diagnosis. The Kate program designed by Paris-based AcknoSoft is used as part of the maintenance program for Boeing 737 jet engines.

Financial services applications of CBR are also expanding. Andersen Consulting installed a CBR system in a large mid-western insurance company, which allowed it to automate 90 per cent of its property and casualty underwriting. The system improves the quality of the underwriting because it draws on the combined knowledge of the group, says Carter. "It is much more consistent, more premeditative."

Ashley Ashwood

Olivier Curet: 'Case-based reasoning is a knowledge enhancer rather than a knowledge supplanter'

At Touche Ross, the accountants, CBR is used to help assess risk, with a system based on several hundred cases supplied by auditors worldwide. The early results suggest it could be a useful aid to auditors, although it could not replace their decision-making skills. "It is a knowledge enhancer rather than a knowledge supplanter," says Olivier Curet, an adviser on knowledge-based systems who designed the system.

Training is another potentially useful market for CBR. Andersen Consulting has designed a system to teach human resource management. Whereas previously users were merely taught general principles, the CBR system can respond to an error on the part of a user by presenting a past case that illustrates the consequence of the mistake.

One factor driving experimentation with CBR is the growing availability of CBR software. Compared with some artificial intelligence techniques, it is relatively quick and inexpensive to try out a CBR system.

But even the enthusiasts for CBR are careful not to exaggerate its potential. One constraint is the ability to describe a situation in a suitable way. For example, CBR cannot be applied to air traffic control because it is impossible to devise a symbolic representation of dots on a screen.

There may also be problems in building up a suitable case library. Although companies usually store records of, say, maintenance work, they often contain more administrative than technical details.

Caledonian Paper, the Scottish paper company, for example, has been hampered in its attempt to use a CBR machine to assist the repair of faults on electrical drives because it has access to fewer than half the cases it needs. "We do get indications but not to any degree of confidence," says Roy McHattie, electrical instrument superintendent. It is now working with the manufacturer to build up cases of faults experienced by other users.

Maintaining the database of cases, which is important to expand the range of the system, is also time-consuming. More work needs to be put into how CBR systems adapt cases, since currently CBR systems rely on human intervention.

Another issue concerns the acceptability of this kind of system. Will professionals resist its introduction in the belief that it devalues their own experience?

Mostly, users believe it is seen as a support system rather than a substitute for human experience. "If it was implemented on a mature [IT] system, it might be seen as deskilling or displacing individuals," says Popat. "But if it is installed in an environment with a high degree of change and where new people are coming through quite rapidly, it will be seen as a positive tool."

Ian Watson, a researcher at Salford University, believes that CBR is intrinsically more acceptable to professionals than some other forms of artificial intelligence such as rule-based systems which purport to diagnose a problem. "With CBR we are not making any claims that it understands," he says. "All we are looking for is the pattern of previous cases."

Watson is optimistic about the prospects. "CBR is perhaps one of the first fruits of spring following the artificial intelligence winter."

Michel Manago, chief executive of AcknoSoft, also argues that CBR has outstripped other theory-bound artificial intelligence techniques. "It [CBR] has produced results which are very practical. It is out of the ghetto of the academic artificial intelligence community."

BUSINESSES FOR SALE

INVITATION TO EXPRESS INTEREST IN THE ACQUISITION OF THE FERDOFIN GROUP
(currently in receivership as per Italian law of April 3rd, 1979, no. 95, the so called "Prodi Act")

The Ferdofin Group is one of the leading Italian steel producers with a yearly production capacity of 1,200,000 tons of finished products and 600,000 of intermediate products. It currently employs approximately 950 people.

The plants are located in:
- San Zeno (Brescia), steel mill;
- Pallanzeno (Novara), production of beams;
- Giammoro (Messina), production of beams;
- Dolcè (Verona), production of merchant bars, mainly for drawing;
- San Giovanni Valdarno (Arezzo), production of merchant bars, components for earthmovers, railway equipment.

In addition, the Group has sales subsidiaries either controlled or affiliated.

The Receiver ("Commissario") intends to start the sale process of the Fedorfin Group business (excluding debts and credits existing prior to the company's admission to receivership) in accordance with the purposes and objectives of the receivership, and therefore

invites

whoever is interested in the acquisition to send an indication of interest by means of a letter sent by registered mail, return receipt requested, addressed to the Commissario, Mr. Aurelio Guccione, c/o Bain, Cuneo e Associati, Via Crocefisso 10, I-20122 Milano (phone: +39-2-582881; fax: +39-2-58314070).

The letter must:
- a. contain the exact identity of the interested party, which must be a limited liability corporation, with indication given of its legal domicile;
- b. be signed by the legal representative of the interested party;
- c. if presented by several parties grouped together as a single group, be signed by each member of the group and be presented by a sole representative of the group, expressly appointed;
- d. concisely indicate the reasons for the interest in the acquisition;
- e. contain any other information deemed useful by the interested party, in order to give evidence of its own business and financial ability to close an eventual acquisition;
- f. include a commitment to maintain the confidentiality of all information that will be supplied by the Commissario either directly or through Bain, Cuneo e Associati.

The following documents shall be attached to the letter:
- a. copy of the articles of incorporation and the bylaws of the interested party(ies) and copy of the party(ies) last three official financial statements;
- b. list of the members of the senior management and the directors of the company(ies) interested.

The parties that deliver their indication of interest according to the above terms and conditions by 6.00 P.M. on March 7th, 1995, shall:
- a. be assured of complete secrecy as regards the existence and the contents of their letter;
- b. obtain an information memorandum containing the main data on the Ferdofin Group;
- c. obtain further information, apart from information which is deemed secret by the Commissario.

At the conclusion of the information phase, the Commissario reserves the right to start a procedure for the sale of the Ferdofin Group business, in accordance with the provisions of law and the indications provided by the Oversight Authority.

This announcement does not constitute, in any way:
- *an offer of sale to the public, per art. 1336 of the Italian Civil Code*
- *a solicitation of savings from the public; in this context it is noted that any future sale will not consist, directly or indirectly, in transfer of shares or securities of any kind.*

This announcement and subsequent announcements are subject exclusively to Italian law and jurisdiction.

The Commissario of the Ferdofin Group in receivership
(Mr. Aurelio Guccione)

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Its plant is located in Assemini (Cagliari).

The Receiver ("Commissario") intends to start the sale process of the Gencord business (excluding debts and credits existing prior to the company's admission to receivership) in accordance with the purposes and objectives of the receivership, and therefore

invites

whoever is interested in the acquisition to send an indication of interest by means of a letter sent by registered mail, return receipt requested, addressed to the Commissario, Mr. Aurelio Guccione, c/o Bain, Cuneo e Associati, Via Crocefisso 10, I-20122 Milano (phone: +39-2-582881; fax: +39-2-58314070).

The letter must:
- a. contain the exact identity of the interested party, which must be a limited liability corporation, with indication given of its legal domicile;
- b. be signed by the legal representative of the interested party;
- c. if presented by several parties grouped together as a single group, be signed by each member of the group and be presented by a sole representative of the group, expressly appointed;
- d. concisely indicate the reasons for the interest in the acquisition;
- e. contain any other information deemed useful by the interested party, in order to give evidence of its own business and financial ability to close an eventual acquisition;
- f. include a commitment to maintain the confidentiality of all information that will be supplied by the Commissario either directly or through Bain, Cuneo e Associati.

The following documents shall be attached to the letter:
- a. copy of the articles of incorporation and the bylaws of the interested party(ies) and copy of the party(ies) last three official financial statements;
- b. list of the members of the senior management and the directors of the company(ies) interested.

The parties that deliver their indication of interest according to the above terms and conditions by 6.00 P.M. on March 7th, 1995, shall:
- a. be assured of complete secrecy as regards the existence and the contents of their letter;
- b. obtain an information memorandum containing the main data on Gencord;
- c. obtain further information, apart from information which is deemed secret by the Commissario.

At the conclusion of the information phase, the Commissario reserves the right to start a procedure for the sale of Gencord business, in accordance with the provisions of law and the indications provided by the Oversight Authority.

This announcement does not constitute, in any way:
- *an offer of sale to the public, per art. 1336 of the Italian Civil Code*
- *a solicitation of savings from the public; in this context it is noted that any future sale will not consist, directly or indirectly, in transfer of shares or securities of any kind.*

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The Commissario of Gencord in receivership
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INTERNATIONAL PEOPLE

New Euro Disney president

■ Steve Burke, 36, president and chief operating officer of Euro Disney. He joined Euro Disney in late 1992 from The Walt Disney Company where he had been in charge of the Disney stores.

■ Paavo Rantanen has stepped down temporarily as a member of Nokia's executive board following his nomination as Finland's Minister for Foreign Affairs. During his absence his duties will be carried out by Tapio Hintikka, another member of the executive board.

■ John A Boland, chief executive of Montreal-based Dominion Textile. Boland, who had run Dominion's Swift Textiles denim subsidiary for four years, succeeds Charles H Hantho, who remains chairman.

■ Howard Kilroy, 59, president and chief operating officer of Jefferson Smurfit, to retire after 22 years with the group. He will remain on the board.

■ Javaid Aziz, 42, chief executive of IBM UK, has left to become European general manager of Silicon Graphics, a California-based computer manufacturer. Aziz has been replaced by J Barrie Morgan, who until recently led IBM's services business in the UK.

■ John E Cleghorn has taken over as chairman of the Royal Bank of Canada on the retirement of Allan R Taylor.

■ Derek Osborn, 54, director general of environmental protection in the UK's Department of the Environment, chairman of the newly-created European Environment Agency in Copenhagen. It is a part-time job and Osborn will continue with the DoE.

■ Roy Vagelos, 65, former chief executive of Merck, a director of McDonnell Douglas.

■ Tony O'Reilly, chairman of Independent Newspapers, to join the board of Jornalgeste, Portugal's largest newspaper group. Luis da Silva, chief executive of Filmes Lusomundo (parent of Jornalgeste) to join the board of Independent Newspapers.

■ Liam Healy, 66, chief executive of Independent Newspapers, chairman of Australian Provincial Newspapers, Australia's biggest regional newspaper group. Ireland's Independent Newspapers has an indirect stake of around 25 per cent in APN.

■ William C Bousquette, senior vice president and chief financial officer Texaco.

■ Gunnar Stokholm, managing director of Topdanmark, the Danish insurer, has become chief executive of Zurich Forsikring in Denmark. Leif Larsen, 49, general manager of Topdanmark Forsikring, has taken over Stokholm's role as managing director of Topdanmark Forsikring.

■ David L Milby, 44, senior vice-president manufacturing at Philip Morris. He joined PM in 1973 and since 1992 has been vice-president, leaf.

■ Jean-Luc Schwitzguébel, 48, head of Ciba's worldwide textile dyes division from September 1. Schwitzguébel, currently managing director of Ciba Pigments in Paisley, Scotland, takes over from Hans-Merten Götz who is retiring.

■ Don Monteath, senior vice-president operations at Trans World Airlines. Monteath joins from Polar Air Cargo where he had done the same job.

■ Professor Kai Kristensen of the Aarhus School of Business, a member of the board of Unibank. He replaces Jens Bilgrav-Nielsen as the Danish government's representative on the board.

■ Steven D.F. Kaempfer, a Dutchman, joins Credit Suisse in March as head of European asset management. He has worked for S.G. Warburg and Swiss Bank Corporation.

■ John Young, 62, former chief executive of Hewlett-Packard, a non-executive director of Novell.

■ John Steele, managing director of Esso Exploration and Production UK. He joins from Exxon Company USA and replaces Phil Dingle, the new chairman and chief executive of Esso companies in Malaysia.

■ Risto Silander, previously with Goldman Sachs in London, joins Swiss Bank Corporation in March to be chief executive of SBC Arbitech in Stockholm.

International appointments

We hope to create in these columns a comprehensive listing of senior appointments in international companies. Please fax announcements of new appointments and retirements to +44 171 873 3926, marked for International People.
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Commission must define position

EUROPEAN COURT

The European Court of First Instance ruled recently against the European Commission for its failure to define its position as required by the Treaty of Rome in respect of aspects of a complaint concerning alleged anti-competitive conduct.

In such situations the Community institution concerned is required by treaty rules to comply with the finding of the Court.

The original complaint was filed by Ladbroke Racing (Deutschland), which complained it had been refused broadcasting rights in West Germany for television pictures and commentary on French horse racing.

The refusal was the result of an agreement with the French supplier that the German rights holder was only permitted to supply such services to certain betting shops in Germany, which were operating at the time the agreement was concluded. The Ladbroke shops only opened after the agreement. Ladbroke complained to the Commission alleging the refusal to supply amounted to a breach of EC competition rules.

The Commission investigated in respect of the alleged breach of article 85 of the Rome treaty and sent relevant companies a statement of objections. During the course of the Commission procedure, these companies notified a second agreement to the Commission, which had superseded the first. On the basis of the new agreement, the Commission sent the parties a fresh statement of objections based on article 85. The parties removed or amended the clauses highlighted as being anti-competitive and on that basis the Commission issued a notice stating its intention to take a favourable attitude.

Ladbroke said the Commission's attitude was unjustifiable and argued an exemption to the prohibition on anti-competitive agreements under EC competition rules could not be granted without the allegations of anti-competitive conduct contrary to article 86 being investigated first.

Ladbroke wrote to the Commission six times to ask it to define its position on the article 86 allegations. In response to one letter the Commission informed Ladbroke orally that, although there had been no decision to reject the article 86 complaint, the claim was without purpose as the competitive restrictions could be effectively remedied under article 85.

Ladbroke then wrote two further letters requesting that it be informed within two months of the Commission's reasons for failure to act under article 86.

Finally, Ladbroke formally requested the Commission to define its position on the complaint as a whole as required under Rome treaty rules. The Commission never replied and Ladbroke brought two actions against it: for failure to act; and for annulment of the implicit decision to reject its complaint.

The Court of First Instance found that it was clear that, by the time Ladbroke formally asked the Commission to define its position, the Commission had already initiated and was pursuing an investigation under article 85. It could not therefore be regarded as having failed to act in respect of the article 85 allegations.

On the article 86 complaint, the CFI said that, though the Commission was not bound to adopt decisions confirming every alleged breach and was free to determine the degree of importance to be given to a complaint in the light of the Community interest, it was bound both to examine the evidence put forward to determine whether there was any anti-competitive conduct, and give the reasons for any decision adopted in that context.

Consequently, any decision to proceed only on the basis of Article 85 should have been explained to the complainant. This was not done and it was thus clear the Commission had failed to act in this regard.

The CFI rejected the application for annulment, as there was no Commission act capable of being annulled. The request for an order for directions forcing the Commission to comply with the judgment was also rejected on the grounds that the Commission was under a treaty obligation to comply with such judgments of the Court.

T-74/92: Ladbroke Racing (Deutschland) GmbH v Commission, CFI 2CH, January 24 1995.

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INVITATION FOR THE DECLARATION OF INTEREST FOR THE PURCHASE OF THE ASSETS OF "XENODOHIAKES KAI TOURISTIKES EPIHIRISEIS DIM. KARABATOS A.E." (HOTEL AND TOURISM ENTERPRISES DIM. KARABATOS S.A.).

The societe anonyme under the title "ASTIKA AKINITA A.E." (43 Panepistimiou street, 105 64 Athens), under the capacity of special liquidator of the societe anonyme "XENODOHIAKES KAI TOURISTIKES EPIHIRISEIS DIM. KARABATOS A.E." (HOTEL AND TOURISM ENTERPRISES DIM. KARABATOS S.A.) with head offices in the Verga Municipality of the province of Kalamata of the Prefecture of Messinia and by virtue of article 46a, Law 1892/1990 which was added to the provision of article 14, Law 2000/1991 and Resolution No. 3/1995 of the Nauplion Court of Appeal.

INVITES all interested parties to declare their interest for the purchase of the total assets of the company "XENODOHIAKES KAI TOURISTIKES EPIHIRISEIS DIM. KARABATOS A.E." (HOTEL AND TOURISM ENTERPRISES DIM. KARABATOS S.A.) which was established on 30.06.1986 with the object of exploiting the hotel "ELITE" (with head offices identical to those of the company), the establishment, operation and exploitation of other Hotel and Tourism enterprises in Greece and the exercise of related projects or enterprises, by submitting within a term of twenty (20) days from the publication of the present a non-binding declaration of interest in writing.

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ARTS

The perpetrator of 'high style'

Lynn MacRitchie reviews the work of Man Ray

Last Saturday lunchtime I managed to escape from the Serpentine Gallery just as attendants were setting up a queueing system to control the crowds. The rooms were already filled to bursting with a shuffling throng, peering at some of the most famous images and objects in the history of modern art. Everyone knows the iron with the tacks, the metronome with the eye on it, the naked lady-come-violin, but even today their maker, the American artist Man Ray, remains a somewhat enigmatic figure.

It has become the done thing to do Man Ray down, lament his lack of seriousness, his "failure" to apply himself faithfully to just one of the disciplines – painting, drawing, sculpture, object making, film making and photography – he practised throughout his life. But it was surely just this versatility, this refusal to be pinned down by the limits of any medium, which made him such an archetypically modern artist, a role model, some say, for Andy Warhol himself.

When he moved to Paris from New York in 1921, Man Ray very quickly found himself occupying a position like that of Warhol some 50 years later, at the centre of the interlocking worlds of art, culture and style.

Earning his living doing fashion and advertising photography, Man Ray's innovative and experimental style quickly made him the chosen portraitist of the intelligentsia and their hangers-on, his studio a vital stop on the fashionable circuit, his portraits documenting a world which became the first epitome of high style. Here they are, cosseted in dim light, the prints perhaps smaller than expected, the sense of past time almost palpable, but the magic of fame still powerful: James Joyce, Gertrude Stein, Cocteau, Matisse, Braque, Picasso, the beautiful Lee Miller and Kiki de Montparnasse, still fascinating after all these years.

Man Ray had gone to Paris to further his career as an artist, stalled in New York when his shift from Cézannesque landscapes and portraits to a new style of flat, mechanical shapes painted with an air brush was unenthusiastically received. But his rejection of a "retinal" for a "mechanical" approach to art was in perfect tune with the thinking of Marcel Duchamp, whom he had met in New York in 1916 and who welcomed him into the heart of Paris Dada.

As the Dada luminaries Tzara, Eluard, Aragon and Breton engaged in fierce verbal battles, the new arrival concentrated on establishing himself, and a few months later was having his first *exhibition* at Librairie Six. At the opening, he went off for a stroll with a stranger who turned out to be the composer Eric Satie. Passing a hardware shop, they purchased the pieces of what was to become perhaps the most powerful Dada object ever made, "Cadeau", 1921, the iron with the nails, a one-off joke which Man Ray was astonished to find himself asked to recreate for the next 50 years.

It is this speed of response, this sense of a clever mind teeming with ideas and skilful hands quickly tiring of the inevitable plod of "the sticky science of painting", as he called it, which has led some to question the seriousness of Man Ray's work, in a way that that of his friend and fellow joker Duchamp has never been. But it was Man Ray who helped Duchamp with the construction of the "Large Glass", begun in their earliest days together in New York and seen here in the tiny print "Dust Raising", 1920. It was Man Ray, who took the photograph of the anthropomorphic egg whisk he titled "Man" in 1918, who best understood Duchamp's fascination with the machine as metaphor for modern life and modern sex, and who realised with him the expressive potential of everyday objects in a way which was to change the face of art forever.

But as Duchamp became elevated to his throne in the modernist Pantheon, his lifelong friend – they played chess together on the night Duchamp died – at first slipped back, his ability to operate successfully in many worlds ensuring his acceptance in none of them.

Certainly his enormous popularity now is undoubtedly based on his work as a photographer, which continues to influence directly the torrent of "style" which fills newspapers, magazines and television programmes. The room at the Serpentine which holds his paintings is noticeably quieter than those where the photos and objects are displayed.

But as a painter too he could be more than skilful, more than just inventive. Take "Le Beau Temps", the canvas which he kept visible on the painting balcony in his last studio in Paris. Here, among the orderly clutter, the objects gathered on every surface, this large image dominated, capturing forever a moment in 1939 just before the war which was to drive him back to an uneasy sojourn in the US.

Two strange figures stand on either side of a door. One grasps the handle, and as it turns, blood seeps from the keyhole. In the distance, visible through a window, a couple embrace, the easel beside them abandoned, while on the surface above two strange creatures tear at each other in savage conflict. A sense of historic unease has been captured, its terrible significance clearly expressed. When it came to the mood of the moment, Man Ray, smart, cool, competent and quick, always knew how to deliver.

Man Ray: Serpentine Gallery, Kensington Gardens, London W2 3XA until March 12. Sponsored by the REL Consultancy Group.

'Erotique Voilee' by Man Ray: even today he remains a somewhat enigmatic figure

Theatre

Mad and her Dad

You have to hand it to a theatre company that states on the front of its programme, "If it's good – it's a miracle". Sadly, in this case, Miracle Productions tempt fate too far. Changing water into wine would probably be easier than turning *Mad and her Dad* into a happy event.

Paul Shand's musical certainly scores on originality. It is the first show about wallpaper this year, and probably the first show ever about pornographic wallpaper. Billed as a musical comedy, it confounds all your expectations by presenting you with a string quartet on stage, and it matches a whimsical story to the form of a through-sung musical.

It is a bold experiment, clearly intended to be fresh and fun. But like many an adventure in interior decorating, the idea that seemed so good in the shop proved a terrible mistake once you see it at full stretch all over the walls.

The story is no dafter than many musical comedies: Madeleine is a lonely girl with a broken heart, but when she takes on a new lodger and a job in a wallpaper shop things look up. She and the wallpaper vendor are just embarking on a nice little romance when he, a version of Mr Nice-but-Dim, realises that his latest designs in the nursery line are rather too explicit about animals' anatomy. All hell breaks loose, but there is a happy ending – the rude designer turns out to be Mad's long lost Dad. They are reconciled, the wallpaper becomes wildly fashionable and they are all in the money.

There are underlying themes: Mad's search for love and affection; the fact that her Dad, a relic from the 1960s, makes his values successful for the 1990s. But they are only touched upon and the storyline is bedevilled by a paper-thin script. Subject and form will pull in opposition directions, the restless, difficult score (beautifully played by the Lyric Quartet) seems at odds with the light comic tone, and the actors often have to wrestle with the music. They all have strong voices, but they really have to belt the words out, with the result that they often seem to shout.

Denise Black as Madeleine, a kind of Shirley Valentine figure, has an appealing presence and a powerful voice; Kate McKenzie sparkles as the mean, feline, money-grabbing lodger; Conrad Nelson rings plenty of humour out of the nincompoop Tom and Tim Hardy, as Dad, has a warm, rich voice and seems the most comfortable with the music. Under Glen Walford's direction they form a strong cast but they are fighting with the script that is neither full enough nor funny enough to carry off the plot.

There are some points were the show gels, and there is some lovely pastiche – the show ends with a vicious slanging match delivered as a courtly minuet. It is just beginning to grow on you – like the wallpaper – when it comes to a halt. The show has spirit and daring, but no amount of papering over the cracks can make it work.

Sarah Hemming

Lyric Studio, Hammersmith.

Opera/Richard Fairman

Der Rosenkavalier

It is difficult to accuse the Royal Opera of penny-pinching. There was a time when Strauss's *Der Rosenkavalier* used to be regarded as a special treat reserved for festival conditions, so large is its orchestra and so great its demands on rehearsal time, but these days it comes round just like any other opera.

Admittedly, this season's revival at Covent Garden reassembles an already well-tried cast. The *raison d'être* of the performances was to have been Anne Sofie von Otter's first Octavian in London, but the Swedish mezzo has been suffering from a cold and cancelled on Saturday morning. Ann Murray, who had finished her run of *Così fan tutte* only the night before, had doubtless been looking forward to a day off. Instead it was back to the opera house, swapping her Armani *Così* costume for the Rosenkavalier's silver rococo suit on the way.

It will have been difficult to tell that a substitution had been made. Ann Murray knows the production well and Felicity Lott's Marschallin has more often than not been at her side. They are well-matched light voices, neither given to stressing any emotional gravitas in their roles. It seems fitting that such a shy and impressionable Octavian should be involved with a Marschallin less formally aristocratic than usual; their relationship feels on the shallow side, a "Viennese masquerade" and nothing more, as Hofmannsthal says. Ann Murray was in good voice, showing no tiredness at taking on a hefty additional engagement. Felicity Lott lacks Straussian weight of tone, but still floats the opening of the trio delectably.

Barbara Bonney was in the production when it was new and ten years on is still shiningly pure-toned, once past some fluttery top notes early on. Her Sophie is an immature chatterbox with a will of her own, not the usual demure wallflower. Aage Haugland was also in the 1984 performances, but his voice is now losing substance. His big baby of a Baron Ochs, roly-poly faced with an ear-to-ear grin, relies on character to carry him along.

The only newcomers to the cast were Leah-Marian Jones and Robin Leggate as the skilful Annina and Valzacchi, Alan Opie's Faninal and Tito Beltran, who made the most of his two minutes of glory as the Italian tenor.

Andrew Davis in the pit is also a known quantity, a Strauss conductor who appeals to the head more than to the heart. The brain notes that everything he is doing is right – getting precise playing, not wallowing in the slow music, keeping the orchestra down so that the singers can be heard – but the emotions refuse to respond. There is little Germanic warmth, even less tear-in-the-eye Viennese sentimentality. It says much for the opera that the handkerchiefs were out at the end as usual.

Further performances ending March 3 (with some changes of cast).

Concert

Tippett at ninety

The legs have become shaky, but the intellect remains undimmed. It seems almost unthinkable that Sir Michael Tippett could have celebrated his 90th birthday just over a month ago. His ability to sense the rhythms of a younger generation and keep in tune with new fashions and ideas has been so vital that time should not have dared lay a finger on him.

This year he is – remarkably – planning to travel the world to participate in festivals of his music. In Britain the major Tippett retrospective fittingly comes from one of his most trusted supporters: Colin Davis, who will be conducting the London Symphony Orchestra's programmes in the "Visions of Paradise" festival (must every concert series have a title with allure these days?) at the Barbican.

Posterity should have no trouble placing Tippett. He is simply one on his own. The more he absorbs influences from outside, the more resolutely he is himself. There are the philosophical borrowings, the slang, the pop culture, the spirituals and blues, the sci-fi, the ethnic minority interests, but the final amalgam is so peculiar to him, it could only be Tippett. Perhaps a time capsule should be buried with an overview of his work. It would have plenty to tell posterity about the preoccupations of the later 20th century.

The opening concert on Sunday began with his early oratorio *A Child of our Time* – a title which might neatly have been used for the festival as a whole. It is probably Tippett's best-known large-scale work. Each decade since it was written in 1944, it has seemed as relevant as before. A week after newsreels of Auschwitz, its universal theme of persecution and racial injustice has lost nothing in immediacy.

The score stands in relation to Tippett's output much as *Peter Grimes* (50 years old this year) does to Britten's. Both established their composers' reputations and are major statements of their beliefs; both carry a strong message, expressed with striking musical ideas. But Britten and Tippett both went on to write music of a higher standard, more consistently their own in style and timbre.

The spirituals in *A Child of our Time* tend to smack of the sturdy English amateur choir in Tippett's arrangements, though less so when they are performed as fervently as by the London Symphony Chorus at the Barbican. Colin Davis takes a more weighty view of the music than he used to, announcing the opening bars with momentous grandeur, and the LSO played marvellously for him. On the top solo line Deborah Riedel floated radiant high notes, contrasting with Florence Quivar's incisive mezzo below. The tenor, Laurence Dale, strove valiantly to keep up with John Tomlinson's untameable bass roar to his right.

A few rows in front of me, Tippett was quietly beating time, marking this favourite phrase or that. He will have enjoyed a fine opening to the festival. There are five more LSO concerts to come, together with chamber recitals, lasting to the end of the month.

R.F.

INTERNATIONAL

ARTS GUIDE

AMSTERDAM

ALLERIES

jksmuseum Tel: (020) 673 2121

Marbled, Chintz and Brocade aper: an exhibition of decorated aper manufactured in and imported the Low Countries in the 17th entury; to Feb 12

PERA/BALLET

et Muziektheater Tel: (020) 551 322

Mazeppa: by Tchaikovsky. A etherlands Opera production onducted by Harmut Haenchen and rected by Richard Jones.; 7.30 n; Feb 9, 11, 12 (1.30 pm)

BERLIN

PERA/BALLET

eutsche Oper Tel: (030) 341 9249

Ein Maskenball: by Verdi. onducted by Rafael Frühbeck de urgos/Sebastian Lang-Lessing. oduced by Götz Friedrich; 7.30 n; Feb 10

L'Italiana in Algeri: by Rossini. onducted by Ion Marin/Carlo Rizzi, oduced by Jérôme Savary; 7 pm; b 8, 11

● The Marriage of Figaro: by Mozart. Conducted by Stefan Soltesz, produced by Götz Friedrich; 7 pm; Feb 7, 9

FRANKFURT

GALLERIES

Schirn Kunsthalle Tel: (069) 29 98 82 11

● Asger Jorn - Retrospective: 167 works by the Danish painter. The fifth chapter in a series of presentations of postwar European artists.; to Feb 12

LONDON

CONCERTS

Barbican Tel: (0171) 638 8891

● Grand Classical Evening: David Coleman conducts the National Symphony Orchestra with tenor Bruce Rankin and baritone Steven Page to play a wide and varied programme of classical music; 7.30 pm; Feb 11

● Tippett: Visions of Paradise: Sir Colin Davis conducts the London Symphony Orchestra to play Tippett's, 'Triple Concerto' and Elgar; 7.30 pm; Feb 12

Festival Hall Tel: (0171) 928 8800

● Igor Oistrakh Plays Mendelssohn and Tchaikovsky: Simon Phipps conducts the English Chamber Orchestra and violinist Igor Oistrakh; 7.30 pm; Feb 11

● Philharmonia Orchestra: with violinist Kyung-Wha Chung and conductor Kurt Sanderling plays Beethoven and Bruckner; 7.30 pm; Feb 8

Royal Academy Tel: (0171) 439 7438

● Philharmonia Orchestra: Kurt Sanderling conducts Beethoven and Shostakovich; 7.30 pm; Feb 12

GALLERIES

National Portrait Tel: (0171) 306 0055

● Christina Rossetti: an exploration of the Victorian poet on the centenary of her death; to Feb 12

OPERA/BALLET

English National Opera Tel: (0171) 632 8300

● King Priam: a new production of Tippett's opera that opens the London festival - Tippett: Visions of Paradise, to celebrate the composer's 90th birthday; 7.30 pm; Feb 9, 11

● Rigoletto: Jonathan Miller's updated version of Verdi's opera where the duke is a mafia boss; 7.30 pm; Feb 10, 13

Royal Opera House Tel: (0171) 340 4000

● Così Fan Tutte: by Mozart. A new production directed by Jonathan Miller. Conductor Evelino Pidò. In Italian with English surtitles; 7 pm; Feb 8

● Der Rosenkavalier: by Strauss. Conducted by Andrew Davis, directed by John Schlesinger. Soloists include Felicity Lott/Anna Tomowa-Sintow as Prinzess von Werdenberg; 6.30 pm; Feb 7, 11

● Giselle: music by Adolphe Adam. A Royal Ballet production choreographed by Marius Petipa after Jean Coralli and Jules Perrot and produced by Peter Wright; 7.30 pm; Feb 9

● La Bohème: by Puccini. Conducted by Simone Young/ Paul Wynne Griffiths, directed by John Copley. Soloists include Angela Gheorghiu/ Amanda Thane as Mimi and Maria McLaughlin/ Judith Howarth as Musetta; 7.30 pm; Feb 10

THEATRE

National, Cottesloe Tel: (0171) 928 2252

● Dealer's Choice: written and directed by Patrick Marber, six men stay up late to play poker, and win at all costs; 7.30 pm; Feb 9 (7 pm) , 10, 11 (2.30 pm)

National, Lyttelton Tel: (0171) 928 2252

● The Children's Hour: by Lillian Hellman, directed by Howard Davies; 7.30 pm; Feb 9, 10, 11 (2.15 pm)

National, Olivier Tel: (0171) 928 2252

● The Merry Wives of Windsor: by Shakespeare. Terry Hands directs his first production at the National. With Denis Quilley as Falstaff, Brenda Bruce as Mistress Quickly and Geraldine Fitzgerald as Mistress Ford; 7.15 pm; Feb 7, 8, 9 (2 pm)

NEW YORK

OPERA/BALLET

Metropolitan Tel: (212) 362 6000

● Cavalleria Rusticana / Pagliacci: by Mascagni/Leoncavallo. Production by Franco Zefirelli, conductor Christian Badea; 8 pm; Feb 7, 10

● Il Barbiere di Siviglia: by Rossini. Produced by John Cox, conducted by David Atherton; 8 pm; Feb 9, 11

● La Traviata: by Verdi. Produced by Franco Zeffirelli, conducted by John Fiore; 8 pm; Feb 13

● Turandot: by Puccini. Produced by Franco Zeffirelli, conducted by Nello Santi; 8 pm; Feb 8, 11 (1.30 pm)

THEATRE

Circle in the Square Tel: (212) 239 6200

● Uncle Vanya: by Chekov. Cast includes Tom Courtenay, Amanda Donohoe and James Fox; 8pm

Joseph Papp Public Theatre Tel: (212) 598 7150

● The Merchant of Venice: by Shakespeare. Directed by Barry Edelstein, and with Ron Leibman playing Shylock; 8 pm; (Not Mon)

Perry Street Tel: (212) 307 4100

● Dylan Thomas: Return Journey and The Truman Capote Talk Show. Two one man shows written and starring Bob Kingdom. Direction by Anthony Hopkins and Kevin Knight; to Feb 11

PARIS

CONCERTS

Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24

● Jorge Chaminé: baritone with pianist Maria Françoise Bucquet plays Tchaikovsky, Borodin and Glinka; 8.30 pm; Feb 7

GALLERIES

Musée d'Orsay Tel: (1) 45 49 11 11

● James McNeill Whistler: exhibition of works; from Feb 8 to Apr 30

OPERA/BALLET

Opéra National de Paris, Bastille Tel: (1) 47 42 57 50

● La Damnation de Faust: by Berlioz. Conducted by Myung-Whun Chung and produced by Luca Ronconi. Soloists include Béatrice Uria-Monzon as Marguerite, and Thomas Moser/Gary Lakes as Faust; 7.30 pm; Feb 9, 12 (3 pm)

● Lucia di Lammermoor: by Donizetti. A new production by Andrei Serban. Maurizio Benini and Roberto Abbado (from April) conduct the Orchestra and Chorus of the Paris National Opera; 7.30 pm; Feb 8, 11

ROME

CONCERTS

Teatro Olimpico Tel: (06) 323 4890

● Festival Orchestra of Brescia and Bergamo: with pianists Gerhard Oppitz, Bruno Camino and Antonio Ballista. Agostino Orizio conducts Bach; 9 pm; Feb 9

WASHINGTON

CONCERTS

Kennedy Center Tel: (202) 467 4600

● National Symphony Orchestra: with violinist Cho-Liang Lin. Paavo Berglund conducts Kokkonen, Tchaikovsky and Brahms; 8.30 pm; Feb 9, 10

GALLERIES

Corcoran Tel: (202) 638 3211

● Family Lives: photographs by Tina Barney, Nic Nicosia and Catherine Wagner. Exhibition explores the power of photography to subvert or reinvent our experience and understanding of events and relationships; to Feb 13

OPERA/BALLET

Washington Opera Tel: (202) 416 7800

● Semele: by Handel. Conductor Martin Pearlman. Roman Terleckyj directs a Zack Brown production; 8 pm; Feb 9

● The Bartered Bride: by Smetana. Conducted by Heinz Fricke. In English; 8 pm; Feb 8

● Vanessa: by Samuel Barber. Director Michael Kahn, conductor Christopher Keene; 8 pm; Feb 13 (7 pm)

WORLD SERVICE

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European Money Wheel
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17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Vietnam needs more reform, not money, says **Peter Montagnon**

Weak claws of tiger cub

After the opening of a US liaison office in Hanoi and with $10bn in inward foreign investment commitments under its belt, Vietnam ought to be basking in its newfound international recognition.

And so, on the surface, it appears. Vietnam plans to join the Association of South-east Asian Nations this year. Mr Nguyen Long, the country's trade ambassador, says it is working hard for membership of the new World Trade Organisation. Vietnam has attracted the attention of big multinational investors such as Ford Motors, Daimler-Benz, BHP of Australia and Keppel Corporation, the fast growing Singapore conglomerate.

Yet officials of the World Bank and the International Monetary Fund who monitor the country's progress admit the popular image of Vietnam as the latest Asian tiger-in-waiting is not yet fully credible. Some of the most difficult parts of its economic restructuring remain to be tackled, they say.

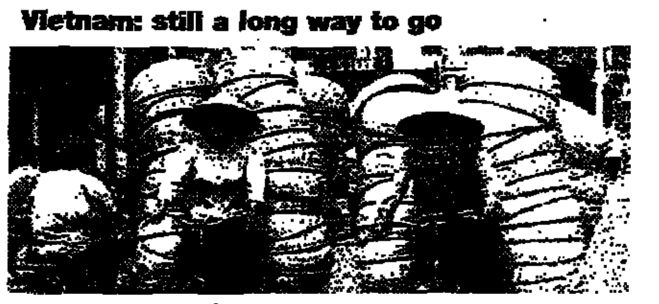
Compared with 10 years ago when there was hyper-inflation, widespread starvation and an exodus of boat people, the situation is much improved. Set against other state-planned economies in transition to a market system, Vietnam has done remarkably well, especially considering that it received no western help at all until a couple of years ago.

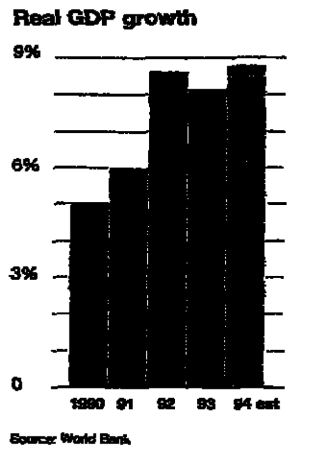
Growth last year was nearly 9 per cent, and if inflation edged up to 14 per cent, that was partly the result of higher food prices in the wake of heavy monsoon rains. With such good statistics, it is easy to overlook that Vietnam remains a very small economy – total output is only $15bn – and a very poor one, with a per capita income of just $200.

Even with annual growth rates of about 10 per cent, it would take Vietnam a generation to catch up with the living standards enjoyed by Thailand now. That country will hardly have stood still in the meantime.

The danger, international officials say, is that the government – flushed with all the attention it has managed to generate – will try to run before it can walk. There is little purpose, for example, in proposals to launch a stock market in a country as poor as Vietnam when there are few large companies to list and no established accounting skills to measure their performance.

Vietnam: still a long way to go





Source: World Bank

GDP per capita 1993 ($)

Vietnam	200
India	290
Pakistan	420
China	460
Indonesia	760
Philippines	820
Thailand	2,000
Malaysia	3,400
South Korea	7,500
Taiwan	10,300
Singapore	17,300
Hong Kong	18,200

Source: Deutsche Bank

Similarly, Vietnam's plans to tap the international bond markets look over-ambitious. Vietcombank, the state bank which finances foreign trade, has awarded a mandate for a $50m to $75m floating rate note to Standard Chartered. When and if the bond is launched, it will be a test run for a bigger issue of up to $200m for the state Treasury itself.

The leaking of the Vietcombank mandate provoked a rush of interest from investment banks anxious to help underwrite the issue. But international officials say borrowing in the bond market could be counter-productive when Vietnam is in the process of rescheduling some $800m of commercial bank debt, owed mainly to Japanese banks.

The rescheduling will effectively involve writing down the debt to half its nominal value. The banks would hardly agree to take this loss if Vietnam was borrowing freely elsewhere.

Besides, foreign finance is the least of Vietnam's problems. Not only does it have the foreign direct investment commitments. It also has aid pledges of $1.8bn for 1994 and $2bn for this year. The striking point is that, as with the foreign investment, Vietnam has managed to take up only a small proportion of the offers it has received.

Actual disbursements of foreign investment last year do not appear to be more than about $400m, while some estimates of aid disbursements last year run as low as $200m.

Both investors and donors say they have become frustrated at the amount of red tape and corruption they have to endure before a project can start. "Corruption has become a serious hindrance to economic development," according to Mr Hung Tran, the Vietnamese emigré who heads Deutsche Bank Research in Frankfurt.

There is evidence that the government is trying to deal with this problem. To streamline the disbursement process, Mr Vo Van Kiet, the prime minister, has taken personal responsibility for projects in excess of $40m, but the difficulties experienced by foreign investors and donors go to the nub of the problems facing Vietnam.

Vietnam has made great strides forward by liberalising the foreign exchange regime, agriculture, and prices that were previously fixed. From being a net importer of rice in 1988, it has become the third largest exporter in the world after the US and Thailand.

Vietnam's fiscal deficit was cut last year to about 3 per cent of gross domestic product from over 6 per cent in 1993, and is expected to be little more than 3 per cent again this year.

But the country has been far less successful in creating the institutional framework in which a free market economy can flourish. The physical infrastructure is poor; the banking system functions badly even at the level of basic payments transmission; fundamental decisions remain to be made on the dismantling of state enterprises and the unwinding of subsidies.

On top of that, Vietnam needs further legal reform to ensure that predictable rule of law prevails. Only when these sorts of reforms are complete will the country be able to make efficient use of the foreign capital at its disposal.

The encouraging point, says Deutsche Bank's Mr Tran, is that Vietnam's leadership recognises the need for restructuring. Strong growth and international economic ties offer Vietnam "the best security guarantee", especially with neighbouring China becoming more powerful, he wrote in a recent report on Vietnam.

Whether the leadership can deliver is another matter. Mr John Brinsden of Standard Chartered, a banker with five years' experience in Vietnam, warns that the central government may have difficulty pushing reform down through the lower levels of the bureaucracy. "As you go down the pecking order, it's apparent that socialist thinking is quite strong."

The biggest worry remains whether the political will to expedite reform exists at all levels of government. There is little comfort in the old Vietnamese saying that the emperor's writ stops at the village gate.

Joe Rogaly

Twisting tales of rapacity

The help-yourself executives of Britain's privatised utilities are giving capitalism a bad name. You know that. I know that. They know it too. Yet they continue to behave as if there was no public disapproval. This is self-regard run riot. Perhaps they do not comprehend the way the wind is blowing. Let me describe it for them: if the drip-drip of stories of greedy directors continues it will be next to impossible for the Conservatives to recover public support.

Mr Gordon Brown is well aware of this. Labour's shadow chancellor said yesterday that, since privatisation, share options worth over £23m have been turned over to directors and senior executives of National Power and PowerGen. We sort of knew that before, but the latest numbers are no less potent for being unsurprising. Mr Brown's political projectile followed the publication of a report by Incomes Data Services, an independent research company, reminding us that the chief executive of PowerGen enjoyed a paper profit of £1.2m from a single grant of options last year.

Five of his fellow directors collected similar notional amounts of between £931,190 and £783,275. The electricity company will naturally explain that stringent performance tests are applied. These are set out in the annual report. Such self-set hurdles are rarely difficult to clear. IDS notes that frequently used benchmarks, such as growth in earnings per share, are easily reached. The common sense view is that former public employees on once modest salaries have not been transmogrified into supermen by privatisation.

We know the truth. When it comes to previously state-owned quasi-monopolies, or duopolies, inflated total remuneration packages are regarded by the average citizen as highway robbery. If this or that chief executive of an easily-managed utility needs bags of gold to tie him down, let him prove it. He (I count no shes in this category) could publish details of any tempting offers received from rival or equivalent companies. If he is shy, he could leave a discreet file with the librarian at the House of Commons.

In the absence of such evidence we may take it that, like the celebrated Mr Cedric Brown of British Gas, Mr Ed Wallis of PowerGen, he of the £1.2m, is the willing recipient of an unaccountably generous windfall. As might you or I, such gentlemen are grasping with both hands the bounty delivered to them by a kindly fate. In electoral terms this says one thing: those in a position to look after themselves, do. The consequence could be the return of a Labour government, perhaps in time to set the Budget of November 1996. Chancellor Brown – Gordon B, that is, not Cedric – might then find the public positively willing him to impose extra taxes on the fortunate functionaries of the former gas, electricity and water boards. He would therefore have to raise taxes on everyone on very high earnings.

If this or that chief executive of an easily managed utility needs bags of gold to tie him down, let him prove it

You may disagree. Labour is so *moderate* these days, my dear. Nothing has been said about piling imposts upon the rich, certainly not until the pips squeak. All that Mr Brown or the party leader has indicated is that there will be a system of "fair" taxation. True, but surely that is signal enough. "Fairness" means nothing unless it is that a level will be set above which the highest rate of income tax will be increased. In some Labour circles this is the "£64,000 question", but the experience of the April 1992 election campaign should rule out so low a threshold. Remember? A "fair" alternative budget was published shortly before polling. It would have increased taxes on every income above the low twenty thousands. Labour lost.

The people's party is in no mood to take chances next time. If not £64,000, then where might the line be drawn? There is a presentational difference between a six-figure salary and earnings within five figures. Most voters would regard an increase of, say, 10p in the pound in tax on income above £100,000 as just. It would still leave the top rate 10p below where it stood under the Conservatives until 1988. This, combined with a Clintonesque requirement that no high earner should pay less than half his or her income in tax, would rule out various avoidance devices such as offshore havens and trusts.

Mindful of 1992, the shadow chancellor is not saying anything about increases in the marginal rate of personal taxation. His present purpose is to focus on what Labour calls the "undeserving rich". He therefore proposes the direct election of independent remuneration committees by shareholders, a notion similar to that put forward by Mr Jonathan Charkham in yesterday's FT. In Mr Brown's view, boardroom remuneration should be voted on at the annual general meeting.

Labour is pondering whether executive pay should be disallowed as an above-the-line cost to the company unless given prior approval by shareholders. Pay not so approved would then be deducted from distributable profits. Options would be taxed as income when exercised, not as capital when sold. This would deny the holder the opportunity to use the capital gains allowance, or to transfer the shares to a spouse who pays tax at a lower rate. As to the utilities, regulators would be able to cut prices where they considered pay rises to be excessive. There is also talk of a windfall tax on utility profits.

The above possibilities are mild when set against the outrage felt by some people at the unearned executive salary increases awarded by buddy committees chosen by boards of utilities to oversee their own remuneration. We are not supposed to talk about injustice nowadays, but when bonuses and share price-related options are pumped up by reducing the number of jobs in a company, or, worse, by sacking one tenth of the workforce after another, the ordinary voter knows something is ethically awry.

Come to think of it, Labour should wish the power and water chiefs well. Every new twist to the tale of their rapacity adds to the perception that the Tories have lost touch with ordinary folk. An unbreakable thread binds such stories to news about political corruption. Perhaps the people's party should cast aside all thought of curbing Messrs Cedric Brown and Ed Wallis and their ilk. If Labour wins, and the new prime minister knows what gratitude is, he will have them made earls and barons.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

Stupidity of idea to overrule decisions of European Court

From Mr Nicholas Forwood QC.

Sir, The European Court of Justice continues to be a prime target for attack in the run-up to the 1996 inter-governmental conference. At a meeting at Brasenose College, Oxford, last September, critics of the court condemned its ruling in *Francovich* as judicial legislation, and called for the court's powers to be curtailed.

Several ministers in Whitehall are thought to be sympathetic, some still smarting from the after-effects of the UK's failure to implement fully the 1977 Acquired Rights directive. The latest idea, reported in the FT article "Government to demand curb on European Court" (February 2), is a UK government proposal that would "allow decisions of the European Court to be overridden by a majority vote in the Council of Ministers". It is also possibly the stupidest.

It is unclear just what decisions of the court will be liable to be overruled in this way; whether the overruling will be only prospective or retrospective; and whether it will seek to take away from litigants in the instant case, or others whose claims are pending, the relief that they were entitled to on the law as it stood.

Presumably, the government has in mind judgments which interpret a Treaty article or Council secondary legislation in a way the UK disagrees with. But this Pandora's box, once opened, will presumably be open to all. Will other member states similarly be able to invite the Council (by qualified majority) to overturn a Court judgment that has adopted an interpretation for which the UK was contending? Will this new mechanism apply to all Treaty provisions and even secondary legislation which at present requires unanimity? If so, perhaps the UK's initiative should be welcomed by Euro-enthusiasts as providing a way in which majority voting can overcome British (or other states') obstinacy in areas where at present unanimity is required.

Europe's legal order has enough problems at present without this *Looking Glass* nonsense: "When I use a word," said Humpty Dumpty in a rather scornful tone, "it means just what I choose it to mean, neither more nor less." "The question is," said Alice, "whether you can make words mean so many different things." "The question is," said Humpty Dumpty, "which is to be master – that's all!" (*Through the Looking Glass*, c.vi, cited with approval by Lord Atkin in Liversidge v. Anderson [1942].)

Nicholas Forwood,
Brick Court Chambers,
15/19 Devereux Court,
London WC2 3JJ, UK

Unanimity only answer for Cyprus

From Sir Keith Speed MP.

Sir, Your leader, "EU and Turkey" (February 2), fails to make it clear that the attempts by Greece to exert leverage on the Turkish Cypriots via Turkey are misconceived and dangerous, and should receive no support from European nations.

In 1960, leverage was exerted upon both the Greek and Turkish Cypriots to make them accept a compromise constitution about which they both had grave reservations. Within three years the Greek Cypriots had repudiated the agreement, thrown the Turkish Cypriots out of all their positions in the state, and commenced 11 years of persecution which ended only when the Turkish Cypriots were rescued by Turkey in 1974.

The UN secretary-general is wise enough to understand that no settlement will work unless it is approved by both the peoples of Cyprus in separate referendums.

Attempts by Greece to use its position in the EU to force a settlement will not succeed, but if they did they would cause further bloodshed in Cyprus, and even war between Greece and Turkey.

Keith Speed,
chairman,
Parliamentary Friends of Northern Cyprus,
House of Commons,
London SW1A 0AA, UK

Wrong view of dietary requirements

From Ms Margaret Fox.

Sir, Barry Groves's article "Meat eating myths" (February 4/5) is shocking not because of the opinion expressed – it is a common one – but because of the large degree of ignorance he shows about human dietary requirements.

The myth of protein-combining was debunked some years ago. Human beings get adequate protein from a varied diet and it is now known that not only soy, but grains such as quinoa, contain the eight complete amino acids needed. B-12 is available from yeast, miso and other such sources.

In fact, most people eat too much protein. Doctors and even government officials are urging people to eat more grains, fruits and vegetables and to cut down on animal fats – which make up most of the calories in meat and dairy products.

Vegetarian and vegan diets have been shown not only to be healthy, but to be healthier than the diets of meat-eaters. Perhaps small amounts of meat do little harm to a person, but they are certainly not necessary for good health. Nor, in our modern agricultural age, is meat necessary for survival.

People eat meat because they are accustomed to it and like the taste. Whether this is a moral thing to do, considering that cows, sheep, pigs, poultry and fish are all vertebrates that feel pain in exactly the same way we do, is a bigger issue. But Groves is very mistaken when he says it is the vegetarians who are selfish.

Margaret Fox,
5 Moscow Road,
London W2 4AJ,
UK

Paying for tax advice

From Mr Nicholas Andrew.

Sir, By way of background to the Kingfisher payment of Sir Geoffrey Mulcahy's personal tax bill ("Kingfisher pays Mulcahy personal tax advice bill", February 4/5), my experience is that, during the last five years, the US practice for directors of large public companies to have their personal tax fees paid by the employing company has become far more common in the UK.

However, except in the case of chief executives and some chairmen, it remains the case that, while tax compliance costs are met often directly by the employing company, fees for specialist advice, such as inheritance tax or capital gains mitigation, are paid for more frequently by the director on an individual basis.

Nicholas Andrew,
chartered accountant,
10 Orange Street,
Haymarket,
London WC2H 7DQ, UK

Towards immortality

From William T.A. Mathieson.

Sir, In the Weekend FT books section (February 4/5), Mr Joe Turney reviewed *The Physics of Immortality*, a "fat book" by Frank J. Tipler about a hypothetical Omega Point.

I would advise that Mr Turney read up on Pierre Teilhard de Chardin, philosopher and palaeontologist, best known for his direct involvement in the discovery of the Peking Man's skull near Peking in 1929 and least known for his theory that man's evolution was moving forward towards an Omega Point, the "ultimate convergence".

William T.A. Mathieson,
PO Box 115,
Point Lookout,
New York 11569-0115, US

Badly served on pensions

From Mr Mervyn Kohler.

Sir, Richard Disney and Paul Johnson (Personal View, February 3) were right to draw attention to the withering away of the State Earnings Related Pension Scheme (Serps), and the implications this will have for the incomes of UK pensioners in the future.

A point additional to their article is that the pensioner population is predominantly female – 60 per cent of people above 65 are women. With a greater incidence of part-time work, and with longer career breaks, women are not well served by many pension schemes, and Serps (particularly before the 1986 reforms) has offered the prospect of some security in retirement. As we dismember Serps further, we risk seeing future generations of women pensioners dependent on basic level of state provision.

Serps was one scheme which ensured that people, who might not otherwise have had the opportunity of volition to take out some other pension provision, at least made some realistic arrangements for their retirement. As we see the costs of community care and other services becoming increasingly the responsibility of the individual, we should be creating better incentives for people to save for their older age, not a policy which minimises the value of pensions.

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FINANCIAL TIMES

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Strain on Polish democracy

As the charismatic leader of Poland's anti-communist Solidarity movement, Mr Lech Walesa won widespread admiration. He played a crucial role in the process which ended communist rule in Soviet-occupied Europe in 1989 and which culminated in the disintegration of the Soviet Union itself. History will remember him as one of the most significant figures of the 20th century.

As president of the democratic Poland he did so much to bring about, however, Mr Walesa has proved deeply flawed. His undoubted qualities of courage and cunning and his intuitive understanding of ordinary peoples' desires and fears made him an effective saboteur of communist rule. But over the last five years he has misused those talents to undermine democratically-elected governments and sow confusion among the electorate.

In large measure Mr Walesa is responsible for the return to power of political parties with their roots in the communist past at free elections in September 1993. He paved the way by his attacks on the first Solidarity government led by Mr Tadeusz Mazowiecki and his populist criticism of the "shock-therapy" economic reforms introduced by Mr Leszek Balcerowicz, the finance minister.

His attacks on the Solidarity government were motivated largely by his desire to return to centre stage as the elected president of Poland. He won the December 1990 presidential elections, but destroyed the Solidarity government in the process.

Since then Poland has gone through four government crises accompanied by similar backstage intrigue from Mr Walesa and his shadowy advisers. As a result the country has acquired a reputation for political instability which has delayed privatisation, frustrated would-be foreign investors, and disillusioned Polish voters.

With all his accumulated prestige, Mr Walesa could have been a great president, taking the lead in strengthening the institutional base to underpin post-communist rule. Instead he has shown himself incapable of understanding that democracy is based on the rule of law and respect for democratic institutions. His declared role model is Marshal Pilsudski, the inter-war military dictator; his political style, ironically, is that of the all-powerful communist party first secretary, hectoring and intriguing behind the scenes.

Now, in pursuit of re-election in November, he is again destabilising a democratically-elected government in the hope of gaining anti-communist votes. He may succeed, in the narrow sense of achieving a change of prime minister and improving his chances of re-election. But such a victory would do nothing to resolve the fundamental struggle between a president with Gaullist-style powers and the elected government. In this way, Mr Walesa's quest for personal power continues to weaken Poland's preparations for eventual membership of Nato and the European Union.

Generating rivals

The shadow of the Monopolies and Mergers Commission hangs over the pathfinder prospectus for National Power and Powergen, the two UK electricity generators, published yesterday. The document, which sets the terms for the sale of the government's remaining 40 per cent stake, warns that the generators could be referred to the MMC on two separate counts.

For a start, they have made little progress in divesting capacity to competitors, as Prof Stephen Littlechild, the regulator, has ordered them to do. Ten days ago – in an unexpected statement which delayed the prospectus – he also warned that he would monitor the generators even more closely because wholesale electricity prices had hit record levels. Prof Littlechild's credentials as an independent regulator are clearly strengthened by his lack of inhibition in making such remarks ahead of the sale. But it is unclear whether his tough talk will lead to action.

A year ago, the regulator told the generators to sell 6,000MW of plant, equivalent to six large stations or 10 per cent of England's generating capacity, by early 1995. So far, nothing has been sold. The generators argue that they have not been offered adequate prices and would short-change shareholders if they sold too cheaply. But potential bidders such as ICI, the chemicals group, say that the generators' asking price is too high.

The divestment matters because it offers at least a partial remedy for the failure to introduce adequate competition at the time of privatisation. The two generators currently own virtually all the coal and oil-fired power stations, which means they have great control over wholesale prices and those of longer-term contracts.

Recent weeks have heard a rising chorus of complaint, particularly from chemical companies, that prices in the wholesale "pool" are too high. The surge in prices has been caused largely by the temporary closure of two of Nuclear Electric's nuclear reactors which normally supply much of the national grid's baseload requirements. But in the absence of greater competition, the regulator is right to pay close attention to these complaints and to the level of pool prices.

For their part, the generators should now make more vigorous efforts to sell capacity, and should be seen to do so. On his side, Prof Littlechild should show no hesitation in recommending referral to the MMC if they fail to do so.

If the MMC does investigate, ministers should pay close attention to its views. Last year they refused to back an MMC's recommendation that British Gas be broken up. However, the need for greater competition in electricity is clear. The government failed to achieve this in the initial privatisation, and industry has paid the price. But the system of independent regulation stands a chance of correcting those defects. The regulators should be supported in doing so.

Nolan committee

The UK government's submission to Lord Nolan's committee on standards in public life is breathtaking in its complacency. From the presentation yesterday by Mr David Hunt, minister for public service, one wonders why the government felt it necessary to establish the inquiry in the first place. The challenge for the Nolan committee is not to lose touch with public opinion and the reality that standards of conduct are a cause of concern. They will continue to be so unless real changes are made to rules governing appointments to quangos and conflicts of interest affecting those holding public office.

Mr Hunt's evidence centred on public appointments and the operation of appointed quangos, but in the course of a press conference he touched on the other issues under consideration by the Nolan committee. In effect, he ruled out any significant changes. He rejected "any inference that failings in integrity and probity" had resulted from the dramatic rise in the budgets and responsibilities of quangos in recent years.

The government's recommendations extend no further than clearer job descriptions and the wider advertising of posts. The idea that appointments to public bodies should routinely be submitted to advisory bodies is rejected.

Mr Hunt was similarly dismissive of the idea – supported by former Conservative ministers appearing before the Nolan committee last week – that new curbs might be needed on the business interests acquired by ministers after leaving government. He appeared to put business directorships on a par with journalism and the writing of memoirs in this regard. Instead, Mr Hunt raised the spectre that public spirited individuals might be reluctant to serve on public bodies, or even as ministers and MPs, if further curbs were imposed on appointments and outside interests.

To the extent that such reluctance is evident – and there appears to be no shortage of individuals competing to enter Parliament and government – it is an argument for better remuneration of office holders. It is not a reason for failing to address concerns about ministers and civil servants moving through "revolving doors" to companies with which they had close connections in office. And it is irrelevant to the issue of appointments to quangos, except insofar as a minority of such posts carry significant salaries, making transparency in appointments all the more important.

The Nolan committee should not be deflected by Mr Hunt from tackling these issues. It needs to consider the merits of a "cooling-off period" for former ministers before taking business appointments, particularly in industries with which they had close connections in office. And there is a strong case for some form of advisory body to monitor quango appointments on a routine basis. The government's claim that such bodies would lack ministerial "accountability" rings hollow if the abuse of ministerial patronage is the point at issue.

Contest to guard the nest-egg

As the number of very rich people rises worldwide, more banks are offering private banking services, says **John Gapper**

As international banks nurse bruises from recent upsets in lending money and trading in financial markets, few aspects of their business seem a safe bet any more. Yet banks remain excited about the profits to be made by managing the cash of wealthy people invested offshore.

International private banking used to be the preserve of long-established specialist banks in European centres such as Switzerland and Luxembourg. Customers who had inherited wealth wanted to protect it against inflation or high taxes in their own countries. It was deposited in secret accounts, and invested mainly in safe assets such as European government bonds.

But as the number of people around the world who might want a private bank has grown, the big banks have muscled in. US banks have competed with old-established European private banks for a decade. They are now stepping up their investment, and being joined by large European and Asian banks as the potential of private banking sinks in.

The rationale for moving into private banking is simple: the number of millionaires in the world is growing fast. Bankers identify two groups of such people.

The first comprises members of the "baby boom" generation in the developed world who are coming into large sums of money built up in property and other assets by their parents. Rich people in Europe and the Middle East are estimated by Chase Manhattan, the US bank, to have some £1,000bn ($1,580bn) in cash or liquid assets.

In the second are entrepreneurs in regions of rapid economic growth. Latin America and south-east Asia account for a further £1,000bn of private wealth, a figure that is growing fast. This group, in particular, means banks foresee decades of growth in private banking, unlike other activities such as lending money.

"More millionaires were probably created in China last year than in the US and UK together," says Mr John Steffens, executive vice-president of Merrill Lynch, the US investment bank. "The market is growing so rapidly you only need a small share to make it worthwhile," says Mr David Went, who heads Coutts & Co, National Westminster Bank's private bank.

Many entrepreneurs in emerging economies use private banks to invest some of their wealth abroad. Rather than keeping all their money tied up in the equity of their own businesses, risking local volatility such as the recent crisis in Mexico, they want to spread a share of their wealth in other markets.

Such entrepreneurs also want the trust and taxation advice services offered by private banks. By putting their wealth in an offshore trust, they reduce the risk of it being confiscated by their domestic government. "People from the emerging markets want the protection of trusts," says Mr Went.

Apart from the underlying growth in the market, private banking has several attractions for international banks and broking houses:

● It costs less than retail banking. Banks that have tried to expand branch networks outside their home countries have often found it hard to make adequate profits. It is cheaper to build a global private bank because it needs relatively few branches. Coutts has only 51 offices around the world, compared with NatWest's 2,431 UK and 330 US retail branches.

● Private banking requires less day-to-day capital than making loans, or underwriting securities. Private banks act mainly as managers of individuals' funds, rather than risking their own money. This means that private banks do not have to set aside capital to cover the risk of bad loans, and so have a better chance of giving their shareholders a high return.

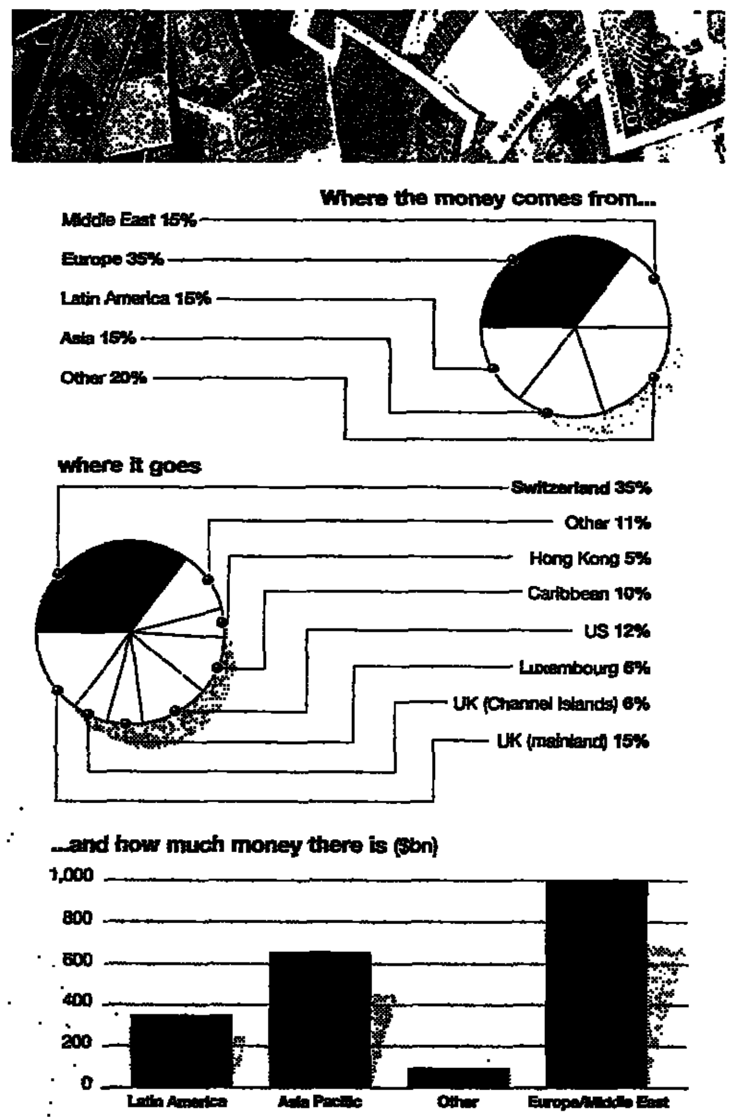
● Revenues from private banking tend to be more consistent than those from lending money or financial trading. Lending revenues are cyclical, while trading revenues are volatile. The fees for managing clients' investments do not fluctuate as much, although the sharp downturn in financial markets last year limited growth in fees.

Furthermore, the fees for managing individuals' assets are proportionately larger than for managing institutional funds such as pension funds. Bankers estimate average fees at about 1 per cent of assets under management – some four times the level of fee typically paid by a UK pension fund for basic management. This implies that the market for private banking is worth £20bn in revenues each year.

Those fees are not as exposed to competition as those in other forms of fund management. Institutions can shop around for a fund manager by looking at published performance data. Private banks do not publish equivalent figures and argue that they compete more on quality of personal service than fund management performance.

In addition, the gains that many private banking customers make from taxation and trust advice can outweigh any loss of potential returns due to poor fund management. One banker cites a case where a client made $9m from the restructuring of his estate to protect him from tax. "If we miss a [fund management performance] benchmark by a point or two after doing that for him, he is not going to be too worried," he says.

Offshore private banking: a haven for millionaires



Source: Chase Manhattan Private Bank, 1993

Despite these attractions, private banking is becoming more complex. Customers are becoming harder to please, and globalisation of financial markets makes it more costly. The most significant change is in the attitude of the newer clients from growing economies: unlike the traditional private banking customers, they are not satisfied just to have their assets protected against inflation, but seek higher returns.

"The new money, entrepreneurial wealth, has a higher risk threshold," says Mr Conrad Eilts, head of private banking for Credit Suisse in London. This means having more skilled fund managers, and knowledge of high-growth markets such as Latin America. These demands are raising private banking overheads from formerly modest levels.

As the cost and complexity of private banking rise, the amount of funds that a bank must manage to allow fees to cover overheads also grows. One US banker estimates that a private bank must manage at least $15bn in funds to make good returns. Big banks argue that these trends will force smaller banks out of the market, or into alliances.

Mr James Zeigon, Chase Manhattan's global head of private banking, says smaller banks may either merge or sell out as they become more vulnerable. He argues private banks with good reputations in different countries may also seek alliances, possibly through cross shareholdings, to protect themselves against large competitors.

Many of them are now betting they will be one of the global players that will emerge from current growth. Yet even with the growth in millionaires, not all of them can succeed. One of the biggest barriers is a shortage of trained private bankers. They not only have to invest money well, but cosset a group of highly demanding clients.

"One huge risk in private banking is failing to hire the right people," says Mr Went of Coutts, who estimates he will have to recruit up to 150 private bankers a year for the next six years. Such levels of demands have led to escalating rewards. "You cannot pay someone £40,000 a year if he is going to stand alongside millionaires," says one banker.

Competition presents another risk: that banks will not be selective about clients. Private banks are an obvious place for criminals to deposit cash, and a bank that was publicly implicated in laundering criminal funds could suffer enormous damage. "Being stuck with Noriega's [the former Panamanian dictator] money is the nightmare," says Mr Went.

But the biggest risk is that the firms now pouring capital into private banking will fail to master it. Many commercial banks are inexperienced in fund management, while investment banks are accustomed to selling standard products rather than giving tailored investment advice. "A broker is a broker, no matter what uniform he wears," says one banker.

For these reasons, private banking could yet prove a more risky investment than many of the world's large banks appear to think. Yet for the moment, they are determined to mount an assault on the old-established banks of Switzerland and other financial centres. It will be the preferences of the world's growing club of millionaires that settles the outcome.

Ian Rodger on the Swiss response to new competition

A discreet welcome

The rush of many of the world's big banks into international private banking might be expected to rattle the Swiss, who have long dominated this lush terrain.

Statistics are hard to come by in this most discreet of businesses, but Swiss banks collectively are believed to hold more than a third of the money that the world's rich keep outside their own countries.

Private banking is a highly profitable business for the Swiss. Ask a director of any of the big three Swiss universal banks how important his private banking business is, and the answer is always the same. Commercial and investment banking may be interesting from time to time, but he would go to any lengths necessary to preserve his private banking business.

For many other Swiss banks, private banking is their only business, and everything they do, right down to the carefully contrived blend of opulence and frugality in their reception rooms, is designed to appeal to the sensitive – and often nervous – rich.

However, Mr Raymond Baer, a director of Bank Julius Baer in Zurich with SFr43.6bn under management at the end of 1994, says he sincerely welcomes the competition. It would force the bank to perform better and, as most new entrants set up bases in Switzerland, reinforce the status of the country as the world's leading private banking centre.

Mr Thierry Lombard, a managing partner of Lombard, Odier & Cie in Geneva which manages over SFr40bn, agrees with this view and wonders how long some of the new competitors will survive.

But he acknowledges that the big US and European banks can marshal immense resources to set up their international private banking networks. "I have not yet seen direct competition at the level of our existing clientele, but I suspect that they are better than we are at marketing for new clients," he says.

Mr Baer says competition at some levels has become fierce. "Clients come back to us showing written offers from competitors. We do not want to lose the business, but neither do we want to be seen as giving in too easily."

The tendency of newcomers to set up in Switzerland reassures the Swiss industry. Goldman Sachs of the US and the Hinduja group of India are two recent examples of international banks extending their private banking networks to the country. This suggests that the world's rich still place a premium on Swiss stability and safety, even if they want to deal with their own bank.

Mr Baer points out that Switzerland is the only important financial centre where bank secrecy laws are supported by criminal rather than civil sanctions. At the same time, the country has taken some of the toughest measures in the world to keep out drug and other criminal money. This contributes to a more respectable image than some other tax havens, says Mr Baer.

Switzerland is also the only place with a large pool of staff at clerk level who are comfortable with handling transactions in several currencies and languages, says Mr Baer. "You have that among high-level staff in every financial centre, but we have it even at the low levels."

Mr Lombard says he would begin to worry if international banks no longer felt compelled to bring their private banking operations to Switzerland. "A mixed culture is good for Switzerland. The worst thing for us in the past was to be too protected, too regionalised. As we become less cartelised, we have a better chance to fight."

The foreign banks also bring in clients who, once exposed to Switzerland, might consider putting some of their money in a genuine Swiss bank, he adds.

Both men are sceptical about the staying power of many of the new entrants. Mr Lombard recalled a similar rush of US banks into international private banking in the early 1960s, but most of them – Bank of America, Chemical Bank, Manufacturers Hanover – subsequently retreated.

Mr Baer says the problem for newcomers is that it takes a long time to build up a private banking business to a profitable level. And in the next few years, as a result of the increased competition, margins would come under pressure for everyone.

"If you do not have a seven-year horizon, don't even start," he advises.

OBSERVER

Cheese crackers

■ Although Norway and Sweden won't see Mahmood Vaezi, Iran's deputy foreign minister, he's getting a cup of tea today from Denmark's foreign minister, Niels Helveg Petersen.

Petersen says he's happy to receive a minister from a regime which has put a death sentence on British author Salman Rushdie because, after all, the EU wants a dialogue with Tehran.

Iranian-Danish relations have in any case endured thick and thin, surviving an episode under Petersen's predecessor, who entertained an Iranian delegation which subsequently turned out to include people sought by a number of European governments for terrorist offences.

Today's chat might be related to nothing more than a variety of pungent cheese called feta. Traditionally, Iran was Denmark's largest (by volume) customer for feta; in some years Iran bought as much as DKr1bn of the stuff. 1994 told a different story – sales were down to DKr300m. If only British Stilton were as popular in Iran.

Lot of rot

■ Lot Polish Airlines likes to see itself as a thoroughly modern carrier, with a western-built aircraft fleet and a smart new airport in Warsaw. Pity, then, about some of the company it keeps.

The January issue of Kaleidoscope, Lot's in-flight magazine, carried an advertisement for a shop counter weighing machine, whose virtues were extolled by what purports to be a bearded, skull-capped Jew with a manic gleam in his eyes and bank notes clutched in each hand.

Lot says it's sorry: "We promise to exercise greater quality control in the selection and acceptance of all future advertisements."

Copy cats

■ Li Shuxian, widow of China's last emperor, Henry Pu Yi, who died in 1964, has just won a decade-old copyright lawsuit involving his famous autobiography, *From Emperor to Citizen*.

Beijing's intermediate people's court has ruled that surviving relatives of Li Wenda, who helped Pu Yi revise the autobiography, were not entitled to a share in the book's copyright or royalties.

Let's hope we don't have to wait 10 years to see the end of another, slightly larger, copyright feud involving China – the current one with the US.

Poached poacher

■ The hardworking but scarcely underpaid officials of Brussels's competition directorate will soon have a new boss; director-general Claus Ehlermann is vacating Brussels for Florence.

After five years as head of the Commission's DG4, the 64-year-old German – the youngest-ever head of the Commission's legal services and for three years its chief spokesman – is going to be professor in European economic law at Florence's university.

The person most likely to replace him is the industry directorate's deputy director general, Alexander Schaub, who was also the EU's chief textile negotiator during the Uruguay round of the Gatt talks.

Number's up

■ The UK has been going through some turmoil over its new national lottery, but nothing quite like what recently befell Naples.

Superstitious Neapolitans flocked to bet on a "magic" number in Italy's state lottery following rumours that a dead man had returned to life.

The residents said that number 47, signifying death, and number 46, the man's age, were hot favourites after the (incorrect) rumour spread like wildfire through the Fuorigrotta district.

Gongs' home

■ More than 1m medals from the second world war are locked up in Russia's defence ministry awaiting collection by Soviet soldiers. "The cards with the names of the people who have not received them are stored in the ministry archives, the medals in their boxes are still in the personnel directorate safes," says the daily newspaper Izvestia.

Colonel General Valentin Yakovlev said: "We have done a lot to find their addresses, but I do not know how to find the remainder."

And Yellow Pages won't help much, either.

Brunei burn-up

■ Nothing very much happens in Brunei, the small sultanate on the island of Borneo. With plentiful oil and gas reserves, the 300,000 people of Brunei enjoy one of the highest per capita incomes in the world.

But grumblings erupted at the weekend as the government, run by the Sultan and his family, moved to impose new import duties – ranging from 20 to 200 per cent – on cars.

A brief announcement on state-controlled television was the first the public knew of the move: no reason was given.

Surely the Sultan, widely believed to be the world's richest man, is not running short of cash?

Presumably his cars – at the latest count he had more than 50 Rolls Royces and Bentleys among the fleet in his garage – will not be subject to the new tax; unless it's retrospectively imposed. Heaven forfend.

The Financial Times

100 years ago

Receivers appointed
The news will hardly come as a surprise that Receivers have been appointed for the Norfolk and Western Railroad. It has been an open secret for some time past that the finances of the Company were embarrassed, and, indeed, it came to some people as a surprise that the interest due last month was met. In Wall Street no effect was produced, and the general market, as will be seen from the cable news, kept firm all day. There was not even an adverse effect on other Southern lines.

50 years ago

Egypt Delta Land offer
Egyptian Delta Land and Investment Company has called an extraordinary meeting at Cairo for 26th February at 4pm to approve the issue of the remaining 166,750 shares at par to existing shareholders in the proportion of one new share to every two shares held. Authorised capital is £500,000, issued £333,250 in £1 shares. The company, of which Mr J.A. Crawford is chairman, owns land and properties in Egypt and supplies electric light and water.

FINANCIAL TIMES
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Opposition anger at 'excessive corporate greed'

UK power chiefs 'sitting on options worth £23m'

By William Lewis in London

Directors and senior executives of National Power and PowerGen are sitting on profits from share options worth £23m ($36m), the British opposition Labour party claimed yesterday.

The calculation includes share options which the directors and senior executives have been granted but have not yet exercised as well as share options they have already cashed in.

Mr Gordon Brown, the opposition chancellor, who released the calulations, hit out at the 'paper' profits, labelling them "excessive corporate greed" and calling for the government to "crack down on boardroom abuses".

On the day the government announced plans to sell off its remaining 40 per cent shareholdings in National Power and PowerGen, Mr Brown said the government should have used its stakes to curb the excesses.

But National Power said last night: "There is nothing new in these claims. Labour's estimates assume the company will continue to be very successful."

The disclosures are the latest development in a bitter row over the high levels of pay in British boardrooms, especially in the newly-privatised utilities.

Six National Power directors have made cash profits of £1.3m from exercising share options and selling the shares, according to Mr Brown. On top of this they have share options which would bring them a profit of £3.3m if exercised and sold today.

At PowerGen, six directors have already made share-option profits of £3.38m and, together with other senior executives, are sitting on 'paper' profits of approximately £15m.

The figures were calculated from details contained in each companies' annual report and filings made to the stock exchange. The share price used for the calculations was the closing price on January 26.

Some of the share options are not exercisable until the year 2003. However, the calculations predict that Mr Ed Wallis, chief executive of PowerGen, and Mr John Baker, chief executive of National Power, will both earn approximately £1m each this year, through a combination of basic salary and the exercise options.

Mr Brown also pointed to the large salary rises executives of both PowerGen and National Power have received since privatisation. For example, Mr Wallis's basic salary when PowerGen was privatised in 1991 was £75,690. On top of the £300,000 he earns now, Mr Wallis is eligible for an annual bonus of up to 35 per cent of salary, a long-term bonus scheme and an annual grant of share options.

He has recently been given 53,500 new share options, not included in yesterday's figures, which can be exercised in five years' time if certain performance criteria are met.

Joe Rogaly, Page 16
Editorial Comment, Page 17
See Lex

Business guru eyes political office in Tokyo

By William Dawkins in Tokyo

Mr Kenichi Ohmae, Japan's best-known management guru, has declared himself a candidate for the governorship of Tokyo, one of Japan's most powerful political jobs.

Mr Ohmae, author of *The Borderless World* and former chairman of the Tokyo office of McKinsey, the US management consultancy, is the first to announce his candidature for the April 9 election.

Regardless of his international profile, Mr Ohmae has a scant chance of winning against the likely establishment choice, Mr Nobuo Ishihara, deputy chief cabinet secretary. The ruling Liberal Democratic party is seeking cross-party support for the non-partisan Mr Ishihara, as a reward for his 15 years as the top bureaucrat in charge of the prime minister's office.

Mr Ohmae retired as McKinsey chairman last July to pursue a career in politics. He leads a small pressure group called Reform of Heisei, whose aim is to decentralise government. But it remains unclear whether his grand international vision of an "interlinked economy" appeals to Japanese voters.

In *The Borderless World*, one of more than 30 Ohmae books, he conceded that vision alone is not enough: "For the most part, we know that most real, lasting improvements come from the daily hard slog to do things better, to improve the accuracy of this system, of that product."

Also likely to compete in the Tokyo election is Mr Tetsundo Iwakuni, a former New York investment banker, whose record as mayor of Izumo, a small town on the south-west coast, has earned support from some members of the main opposition group, the New Frontier party.

Tokyo, population 11.9m, is the largest and most prized prefecture, with an annual Y6,726bn ($67bn) budget.

The constituency falls vacant with the retirement of the incumbent, Mr Shunichi Suzuki, a bland but influential 84-year-old independent. He has served four terms – 16 years – despite an attempt by the LDP to oust him at the last Tokyo election in 1991. Local elections are also being held in most of the other 46 prefectures.

LEX COLUMN

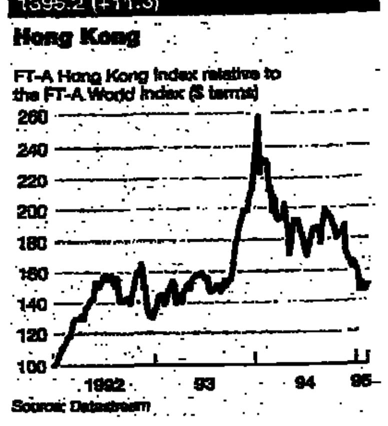
Hong Kong's false dawn

Trade wars and interest rate rises are rarely the stuff of bull markets. But the Hong Kong stock market has risen 13 per cent in the last seven trading days in the face of such potentially jarring news. This reflects Hong Kong's position as a leveraged bet on US interest rates due to its US dollar currency peg and sensitivity to property profits. The latest rate rise and unemployment statistics from the US have raised confidence that the economic cycle is turning; hence the transformation in Hong Kong stock market sentiment.

In the circumstances, it is not surprising that the currentUS/China trade dispute has been ignored. The proposed import hit list against China would knock less than 0.1 per cent off Hong Kong's economic growth rate.

Nonetheless, the worst may not be over for investors. First, it is too early to suggest that US rates are about to plateau. Second, Hong Kong has individual problems. It is highly sensitive to a further deterioration in US/China trade negotiations, and Republican politicians are already calling for tougher action. Falling property prices are feeding through into consumer spending and could drag down corporate earnings growth over the next two years. Deng Xiaoping's health is faltering, creating political uncertainty in both China and its future sovereign territory. With Mexico's financial rescue package secured, investor attention is returning to the more robust "emerging" markets of Asia, but rebounding confidence in Hong Kong appears premature.

FT-SE Eurotrack 200:
1395.2 (+11.3)



Base metals

Reality is finally reasserting itself in the base metals markets. Copper and aluminium prices nearly doubled last year in a bull run primarily driven by speculative commodity and hedge funds. By last month the market was in trouble, but yesterday the bubble burst: among those suffering the biggest falls were lead, down 9.7 per cent, and nickel, which fell 8.3 per cent.

Base metal prices were unsustainable because of simple supply and demand. Last year's price rises were partly justified by rapid US demand growth for base metals: requirements for aluminium increased 16 per cent and those for copper 12 per cent. But such growth rates were clearly unsustainable because much of the demand was generated by restocking. If US economic growth slows, as suggested by Friday's employment figures, north American demand could actually fall this year. On the supply side, mining companies are investing to increase extraction of nearly all base metals, with first deliveries from the new production being made later this year.

The question remains whether this is a fundamental derating. The odds are that prices will continue to fall sharply. The metals markets are illiquid. Hedge fund buying accentuated last year's extraordinary rise; their exit will accentuate the downside. Moreover, most consumers have already acquired adequate stocks and therefore have little incentive to buy when prices are falling. Any rallies are likely to be difficult to sustain.

Civil aviation

Aerospace is justly seen as a "late cycle" industry. But just how late is only now becoming clear. Following gloomy news from McDonnell Douglas and Boeing in recent days, it looks as though the industry will bottom out only this year. Production of larger jets by the big three – McDonnell Douglas, Boeing and Airbus – is set to slump to 461 in 1995, down from a peak of 834 in 1991, before recovering slowly through the remainder of the decade. The next peak is expected in 1998-1999, by which time the rest of the world economy is likely to be mired in another recession.

The paradox is that the malaise afflicting the aerospace manufacturers has intensified just as most US and European airlines are returning to profit. As robust figures from British Airways highlighted yesterday, the airlines are benefiting from economic recovery which has led to an increase in traffic volume. In time, the recovery in airlines' profits will feed through to increased orders for aircraft. Now, however, the airlines' priority to rebuild their balance sheets has resulted in a high level of cancellations. The growing success of Airbus has added to the pressure on the US manufacturers.

At some point in the next few years, it will be worth buying pure aerospace stocks in anticipation of the sharp earnings upturn which will belatedly follow a surge in orders. For now, they are best avoided: the recovery is simply too far away. Investors should focus their attentions on those airlines which have most to gain from the upturn in traffic and where there is still scope for rationalisation.

UK generators

National Power and PowerGen are playing "chicken" with their regulator. Yesterday's prospectus for the government's share sale makes clear that neither company is likely to meet undertakings agreed with Mr Stephen Littlechild last year on prices and power station disposals. That means that either one side will back down or the issue will be referred to the Monopolies and Mergers Commission – an outcome neither the regulator nor the companies would relish. Mr Littlechild may yet give ground. But investors will have to endure some nail-biting in the meantime.

If regulatory risks dog the generators, the prospectus underlines their rosy medium-term dividend prospects. National Power's pay-out is forecast to rise 24 per cent this financial year, in part because it plans to buy back 6.5 to 8 per cent of its shares in the forthcoming sale – a move which will enhance earnings per share. PowerGen's dividend will increase a relatively modest 19 per cent but, since that does not take account of similar buy-back plans, it should make up the running next year.

Given low gearing and strong cash flow, there is scope for further financial engineering. Both companies plan to reduce dividend cover. Meanwhile, PowerGen dangled the prospect of more buy-backs, which would allow dividends to be further increased. Such prospects explain why the stocks yield less than the market. The companies' more prosaic earnings prospects are rightly reflected in their sub-market price/earnings ratios.

Additional Lex comment, Page 26

Telekom board member quits in battle for control

By Michael Lindemann in Bonn

The battle for political control over liberalisation of the German telecommunications industry intensified yesterday with the resignation of a supervisory board member of Deutsche Telekom, the state monopoly.

Mr Gerhard Pfeffermann, a close aide to Mr Wolfgang Bötsch, the post and telecommunications minister, was forced to quit the board that oversees the the company's management after protests from German industry accusing him of a conflict of interest.

Mr Pfeffermann, who joined the board only a month ago, remained secretary in the telecommunications ministry and one of Mr Bötsch's deputies. Several leading German companies hoping to enter telecommunications argued that he could not simultaneously work on the liberalisation of the industry in the ministry and represent Deutsche Telekom.

Their objections were endorsed by a host of politicians after Mr Helmut Ricke, Deutsche Telekom's chief executive, resigned in early December, in part because of Mr Pfeffermann's appointment. Mr Ricke's departure was considered a serious setback to plans to privatise Deutsche Telekom.

Deutsche Telekom itself, which became a joint stock company on January 1 and has been making efforts to repair its image as a government department run by civil servants, had complained regularly that there were too many politicians on the new supervisory board.

"I think people finally realised that Pfeffermann's position was untenable," one Bonn official said. "I think above all international analysts found it difficult to understand how he [Pfeffermann] could be regulator and regulated at the same time."

Mr Tyll Necker, the respected former president of the federation of German industry who earlier declined to join Telekom's supervisory board in protest at Mr Pfeffermann's appointment, said he was pleased with yesterday's move. "We welcome the fact that this conflict of interest has been resolved."

Mr Pfeffermann's resignation is likely to encourage the half-dozen companies which are hoping to compete with Deutsche Telekom after the monopolies fall on January 1 1998. Having forced Mr Bötsch's hand once, they will hope they can do it again.

Although the post minister has said he will not allow competition in voice telephone services before 1998, companies such as Veba, Viag and Thyssen have been pushing for earlier liberalisation.

Now they have unseated Mr Pfeffermann they will be hoping to build up enough pressure to force Mr Bötsch to allow liberalisation before January 1 1998, so that German operators can develop the expertise needed to move quickly into liberalised markets after 1998.

The 20-member supervisory board is made up partly of leading businessmen and consultants and partly of employees' representatives. A replacement for Mr Pfeffermann has not yet been announced, Deutsche Telekom said.

Commodity prices plunge on rush of profit-taking

Continued from Page 1

to cool down. Strong demand for metals would then take prices steadily higher again, they said.

Last week's rise in US unemployment also cast its spell over global equity and bond markets.

Hong Kong shares had their best day for eight months, following the sharp rises in US share and bond prices in the immediate aftermath of Friday's jobs figures.

The Hang Seng index climbed 5.6 per cent to 7,897.8 on evidence that US economic growth was slowing and that upward pressure on interest rates would therefore be weaker.

The buoyant mood transferred to Europe. The French and German stock markets both recorded rises of more than 1.5 per cent on the day, while European bond markets also opened strongly. But the FT-SE 100 index of London stocks ended only 2.3 points higher at 3,062.0.

Mr Peter Lyon, global strategist at Smith New Court, the broker, said the UK had under-performed because the government's uncertain future was undermining sterling.

European bond markets retreated during the afternoon when the US treasury and stock markets opened weakly, failing to push Friday's rally further.

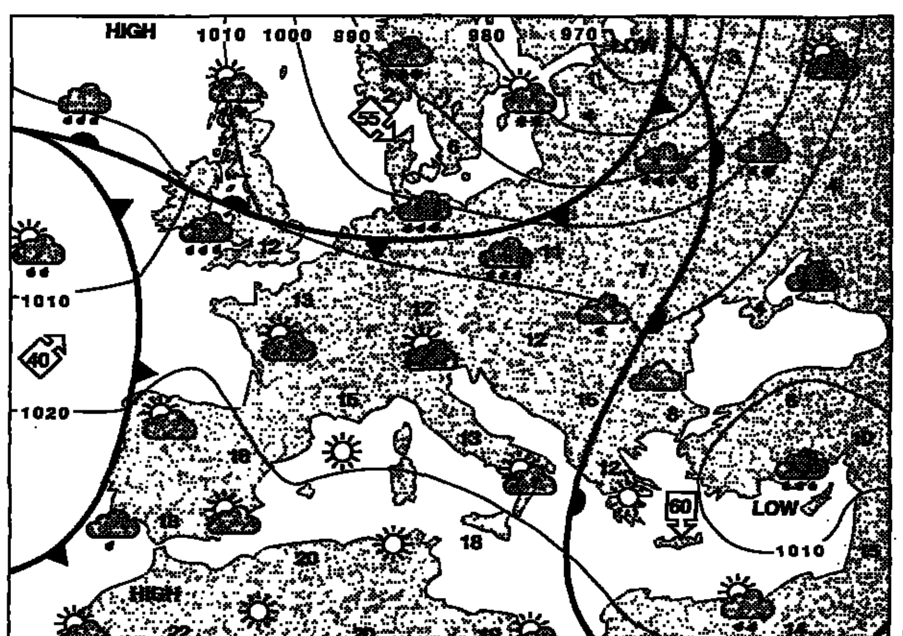
FT WEATHER GUIDE

Europe today

Cold, unstable air moving into the northern British Isles and southern Scandinavia will promote showers, mainly of snow. The southern UK and western Europe will have mild, moist air. Rain is expected on the boundary between these two air masses and will affect Ireland, the southern UK, Holland, Germany and Poland. Central Europe, France and Spain will be partly cloudy with sunny spells. Italy and Greece will be sunny. Crete is likely to have blustery northerly winds but will be mainly sunny. Cyprus and southern Turkey will be cloudy and wet.

Five-day forecast

Rather cold air and clear skies will move into the British Isles and over the North Sea before reaching central Europe. These regions will be partly cloudy with occasional rain or snow showers. Disturbances will move across Spain and into the Mediterranean bringing rain to Portgual, Spain, Italy and the Balkans. Southern Spain will have significant rain, ending a long drought.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	cloudy	29
Accra	fair	34
Algiers	sun	20
Amsterdam	rain	10
Athens	sun	12
Atlanta	cloudy	9
B. Aires	sun	29
B.ham	rain	10
Bangkok	fair	32
Barcelona	sun	16
Beijing	sun	11
Belfast	rain	8
Belgrade	fair	10
Berlin	rain	10
Bermuda	shower	19
Bogota	fair	21
Bombay	sun	33
Brussels	cloudy	11
Budapest	fair	12
C.hagen	shower	7
Cairo	cloudy	14
Cape Town	fair	30
Caracas	fair	29
Cardiff	rain	10
Casablanca	sun	18
Chicago	snow	-5
Cologne	cloudy	12
Dakar	sun	29
Dallas	cloudy	16
Delhi	fair	25
Dubai	cloudy	30
Dublin	rain	10
Dubrovnik	sun	15
Edinburgh	fair	6
Faro	fair	17
Frankfurt	cloudy	12
Geneva	fair	8
Gibraltar	sun	18
Glasgow	cloudy	7
Hamburg	shower	9
Helsinki	cloudy	-1
Hong Kong	fair	19
Honolulu	shower	27
Istanbul	shower	5
Jakarta	shower	30
Jersey	cloudy	12
Karachi	sun	31
Kuwait	fair	17
L. Angeles	sun	19
Las Palmas	fair	21
Lima	cloudy	27
Lisbon	cloudy	17
London	rain	12
Lux.bourg	cloudy	9
Lyon	fair	10
Madeira	cloudy	20
Madrid	cloudy	14
Majorca	sun	19
Malta	sun	17
Manchester	rain	9
Manila	cloudy	30
Melbourne	cloudy	23
Mexico City	cloudy	24
Miami	sun	21
Milan	sun	12
Montreal	snow	-12
Moscow	rain	3
Munich	cloudy	12
Nairobi	sun	29
Naples	sun	16
Nassau	fair	23
New York	cloudy	-3
Nice	sun	15
Nicosia	rain	12
Oslo	fair	-1
Paris	cloudy	11
Perth	sun	35
Prague	rain	11
Rangoon	sun	33
Reykjavik	sun	-7
Rio	cloudy	28
Rome	sun	16
S. Frsco	fair	15
Seoul	sun	6
Singapore	rain	25
Stockholm	fair	1
Strasbourg	cloudy	11
Sydney	sun	25
Tangier	fair	17
Tel Aviv	shower	13
Tokyo	fair	11
Toronto	snow	-6
Vancouver	shower	12
Venice	fair	9
Vienna	fair	14
Warsaw	rain	10
Washington	snow	-1
Wellington	rain	17
Winnipeg	sun	-7
Zurich	cloudy	10

صكتا من الاصل

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday February 7 1995

IN BRIEF

Rhône-Poulenc to buy veterinary unit

Sanofi, the pharmaceuticals and beauty products arm of Elf Aquitaine, the French oil group, said it had agreed to sell its veterinary products businesses in Asia and North America to Rhône-Poulenc, the chemicals and drugs group. Page 20

Kellogg faces charge after job cuts
Kellogg, the US breakfast cereal company, yesterday said it planned to increase productivity by cutting between 300 and 350 jobs in the US and overseas, resulting in a one-time pre-tax charge of $30m to $40m in the second or third quarter. Page 22

Seita shares go on sale today
Shares in Seita, the French state tobacco company, will go on sale today to the public at a price of FFr129 a share, the French finance ministry announced last night. Page 20

Record income for US Healthcare
US Healthcare, one of the biggest operators of health maintenance organisations in the US, reported record net income of $391m for 1994, up 30 per cent from the previous year. Page 22

Rally in Hong Kong
The Hang Seng index in Hong Kong rose 418.88 to 7,897.80, the market's strongest one-day rally since May 18 last year. Back Page

Publishers are wincing at the sharp rise in newsprint costs, which make up 20-25 per cent of a newspaper's total cost. Page 24

Rubber bounces ahead
Asia's stock markets are in the doldrums but the region's commodity traders have rarely been busier, with rubber emerging as the sector's star performer. Page 27

Capital Cities/ABC earnings up 46%
Capital Cities/ABC, the US media group, underlined the recent revival of the US TV networks with a 46 per cent jump in full-year earnings to $680m. Page 22

Generators pledge hefty dividends
National Power and PowerGen are promising strong dividend increases ahead of the sale of the UK government's 40 per cent stake in each company this month. Page 26

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Altana	650	+	11.3
Byr Hypo Bnk	367.5	+	8.5
Daimler Bnz	723	+	13.5
Lahmeyer	582	+	20
Mitgsbcht	137.6	+	13.6
Falls			
DKAG Col Kmz	1030	–	70
NEW YORK ($)			
Rises			
Kellogg	54⅞	+	⅜
Michigan Nat	101⅝	+	13⅛
Prctr Gamble	66¼	+	1¼
Quaker Oats	34	+	¼
Falls			
Hrly Dvidsn	25⅞	–	1⅝
Heinz HJ	39¼	–	⅜
LONDON (Pence)			
Rises			
Acorn Cmptr	91	+	11
Andrws Sykes	165	+	13
Hmigh Tech	498	+	43
Tadpole Tech	207	+	12
Falls			
Hndrsn Admin	1013	–	62
Sturge	49	–	6
TORONTO (C$)			
Rises			
Anchor Lams	6⅛	+	⅞
IPL Energy	24	+	1½
Slater Ind	11	+	¾
Falls			
AIM Safety	10	–	⅞
Canbra Foods	10½	–	1
Inco Ltd	37½	–	1⅛
PARIS (FFr)			
Rises			
AGF	186.4	+	7.4
EBF	956	+	16
Eridania Cl	694	+	49
Peugeot	713	+	24
Taittinger	2200	+	100
Falls			
Geophysique	327.8	–	8.4
TOKYO (Yen)			
Rises			
Haseko	630	+	30
Nip Suisan	462	+	37
Penta Ocean	937	+	32
Falls			
Asahi Optcl	448	–	18
Kandenko	1690	–	50
Kubota Corp	670	–	18
HONG KONG (HK$)			
Rises			
Guoco Grp	30.6	+	2.1
Henderson Lnd	37.0	+	2.5
HK Macau	8.25	+	1.55
Sun Hung Kai	47.0	+	3.7
Falls			
CNT Group	0.33	–	0.09
Cona Inv Hld	0.55	–	0.07
BANGKOK (Baht)			
Rises			
Dhan Siam	306	+	24
Finance One	202	+	32
Shinawatra	550	+	50
Falls			
Charong Thai	78.5	–	6.5
Krungthep	175	–	17
Thai Veg	42	–	3

New York and Toronto prices at 12.30pm.

Paris launches Usinor Sacilor sale

By John Ridding in Paris

The French government yesterday launched the privatisation process for Usinor Sacilor, Europe's largest steel producer, by inviting applications for banks to advise on the sale.

"From Tuesday, the countdown to privatisation begins," Mr Edmond Alphandéry, economy minister, said. Officials declined to comment on the timing of the sale, but the operation seems set for the second half of this year.

Mr Francis Mer, chairman of the steel group, has been pushing for privatisation. He said at the end of last month that the company should be valued in excess of FFr20bn ($3.8bn) and that the government should capitalise on the upturn in the steel industry to implement the sale.

The benefits of the industry upturn and the impact of cost-cutting measures at Usinor Sacilor will be demonstrated tomorrow when the company is due to announce a return to profit for 1994 after a loss of FFr5.7bn in 1993. The rebound in results follows an extensive restructuring programme, which has made the company one of Europe's most efficient steel producers.

"They have made a lot of progress," says Mr Martin Doble, director of Beddows & Co, a consultancy for the steel industry. He cites the company's flat steel products and stainless steel businesses as areas of strength, noting that Usinor is the biggest flat rolled steel supplier to the European motor industry.

But problems remain in the long products activities, including wires and steel for engineered goods, which have suffered from overcapacity and competition from imports.

The selection of adviser banks is the first concrete step towards privatisation for the 21 companies slated for sale, or already sold, by the centre-right government of Mr Edouard Balladur. Yesterday's announcement demonstrated the government's desire to maintain momentum in its privatisation programme and to achieve its targeted receipts of FFr55bn from the sale of public sector assets this year.

Industry observers said the size of the issue and political sensitivities arising from possible union opposition made it likely that the government would wait until after the presidential poll to implement the sale. They played down the possibility that the government could retain a majority stake in the steel maker, as it did in Renault, the motor group, which was floated last autumn.

The French government holds 80 per cent of the shares in Usinor Sacilor, with the balance held by Crédit Lyonnais, the loss-making state-owned bank. Crédit Lyonnais is expected to reduce its stake at the time of flotation as part of its strategy of disposing of assets to strengthen its balance sheet.

France is in the process of privatising Seita, the tobacco group, which is valued at between FFr6bn and FFr7bn. The privatisation of Groupe Bull, which is being implemented by the sale of stakes to industry partners, is expected to be completed within a few months.

Other candidates for sale in 1995 include Assurances Générales de France, the insurance group which has seen its privatisation postponed because of the sharp decline in insurers' shares over the past year.

Péchiney, the aluminium and packaging group is another possible candidate, while the government may reduce its holding in Renault to a minority through a further share issue.

Seita goes on sale, Page 20

TI-Acer to invest in memory chip plant

By Laura Tyson in Taipei, Alan Cane in London and Louise Kehoe in San Mateo

Texas Instruments-Acer, a Taiwanese semiconductor manufacturer is planning to invest $1bn to build a memory chip plant using the most advanced technology available.

The company already produces some 17,000 six-inch silicon wafers, capable of being processed into 4-megabit D-Ram memory chips, every month at its plant in Taiwan.

The new plant is expected to produce 25,000 to 30,000 wafers a month for processing into 16-megabit D-Rams making it one of the largest in the world.

The plan still has to be approved by the board of directors later this month. If it is, production will begin in the second quarter of 1997. Ms Lora Ho, the company's financial controller, said the move was designed to take advantage of the strong demand for D-Rams and to achieve economies of scale in production. D-Ram chips are basic elements in any piece of intelligent electronic equipment ranging from computers to domestic appliances.

The world market for D-Rams this year is valued at $25bn-$28bn by Dataquest, the marketing consultancy, and is growing by about 60 per cent annually, with individual 16-megabit D-Rams selling for $50-$55.

After experience has been gained in the manufacture of 16-megabit chips, the intention is to move to 64-megabit chips. The new plants will use eight-inch diameter wafers.

TI-Acer is owned 56 per cent by Acer of Taiwan, 26 per cent by TI, the US electronics giant, 16 per cent by China Development Corporation, a quasi-investment bank run by Taiwan's ruling party and 2 per cent by Chiao Tung Bank, a government development bank. Funds for the new plant will be raised from the company's shareholders and from banks. The TI-Acer joint venture between TI and Acer, was formed in 1989.

The joint venture's 1994 sales are estimated to be about $350m, according to Integrated Circuit Engineering, a US semiconductor market research firm. However, all of the chips produced by TI-Acer, D-Rams and logic devices, go to the parent companies.

TI is the sixth largest semiconductor manufacturer in the world with estimated chip sales of $5.3bn in 1994.

P&G sues Bankers Trust over more swaps

By Richard Waters in New York

Procter & Gamble filed a fresh legal action against Bankers Trust to cover a second derivatives contract, intensifying the battle over losses it sustained when bond markets tumbled a year ago. The US consumer products company also listed securities law charges against the bank for the first time, extending the scope of the action which it had initiated last October.

P&G said it was seeking $65m to cover losses it sustained on a D-Mark swap contract, in addition to the $130m it had already claimed over a US interest rate swap. It is also seeking punitive damages in both cases.

The company first disclosed the losses on the D-Mark swap last April, at the same time as the other transaction. Explaining the delay, Mr Edwin Artzt, P&G's chairman and chief executive, said: "We're taking action now because conversations taped by Bankers Trust between [the bank] and P&G were recently made available to us and have confirmed what our own internal investigation had concluded."

Bankers Trust had been expected to face additional legal challenges over disputed derivatives since it announced a decision last month to place $423m of contracts on to a cash basis. This is equivalent to treating them as doubtful loans, and indicated a concern that customers would refuse or otherwise fail to make payments due to the bank.

It said yesterday: "Bankers Trust has valid legal claims under contracts with P&G and expects to receive payment in full under those contracts."

In an amended suit filed yesterday in Ohio, P&G outlined a claim over the D-Mark transaction which resembles its earlier case over the dollar swap. It claimed that the bank had failed to disclose enough information to enable it to value the contract, and that the swap "was actually in a loss position from its first day – a fact that was never revealed to P&G".

According to P&G, both contracts were said by Bankers Trust to contain "lock-in" provisions that would allow the company to fix its borrowing costs at a low rate, but neither achieved the promises the bank had made.

By extending additional securities law charges against the bank, P&G also raised the spectre that some derivative contracts could be brought under the tough anti-fraud provisions of this branch of US law – something that derivatives professionals have consistently contested.

Swedish carmaker to break up consumer products arm, writes **Hugh Carnegy**

Bidders line up for sale of Volvo's BCP division

The biggest corporate sell-off in Sweden for years – and potentially one of Europe's largest in 1995 – should begin to crystallise in the next few weeks as Volvo, the country's top manufacturer, moves to shed its wholly-owned subsidiary BCP to sharpen its focus on its core car and truck operations.

BCP (Branded Consumer Products) contains a spread of businesses and brand-names covering tobacco, beer, soft drinks and food with annual turnover of more than SKr22bn ($3bn) and extremely attractive market positions in the Nordic region.

Its sale is expected to raise around SKr25bn – roughly equivalent to the total of Swedish privatisation issues over the past three years. It will strengthen Volvo's coffers for the challenge of securing its future as an independent vehicle maker following the 1993 collapse of its plan to merge with Renault.

Volvo would almost certainly prefer a 'Nordic solution' to keep Procordia under regional control

Volvo is being coy about exactly when – and to which buyers – BCP will be sold. But it has eschewed a flotation and signalled that its preferred option is to sell off separately the two main components of BCP; Swedish Match, a world leader in matches and lighters; the dominant Swedish cigarette supplier and maker of Snus, a wet snuff popular among Swedish men; and a beverages and food division which makes products including Pripps Beer, Ramlösa mineral water and Abba Seafood. An investment portfolio division is being slowly unwound.

Two Nordic companies – Orkla, the Norwegian conglomerate, and Carlsberg, the Danish brewer – have made no secret of their interest in the sale. Other big international groups such as Nestlé, the Swiss food company, Philip Morris of the US and Britain's BAT Industries, have either signalled their interest publicly or been the subject of speculation. Several financial investment groups are also understood to be in close contact with Volvo.

Volvo officials anticipate that the disposal of Swedish Match at least will be completed in the first half of this year. Some analysts predict the Volvo board will pick a favoured suitor for Swedish Match in early March.

The sale of the food and drink division may take longer, but should also be completed this year. This would clear the way for the sale next year of Volvo's other main non-core asset, its 27.5 per cent stake in Pharmacia, one of the world's top 20 pharmaceutical groups, which it is bound under agreement with the Swedish government not to dispose of before January 1996.

The break-up and sale of BCP will mark the latest in a bewildering history of takeover, reorganisation and corporate shuffling that has affected its constituent parts over the past decade. BCP only became wholly-owned by Volvo last year after its present form emerged following the break-up of a group called Procordia. Procordia was itself put together by Volvo and the state under their joint control in 1989 and included Pharmacia.

Under a 1993 deal between the government and Mr Pehr Gyllenhammar, Volvo's former chairman, Volvo ultimately acquired all of BCP and was to be the principal shareholder in Pharmacia.

These were to be new pillars under a diversified Volvo once it had merged its vehicle operations with Renault. But when Volvo scrapped the Renault deal and Mr Gyllenhammar quit the company, that strategy was torn up. BCP and Pharmacia suddenly became an expensive surplus to Volvo's requirements. In turnover terms, BCP's food and drinks division (renamed Procordia last month) is the biggest, reaching sales of SKr7.4bn in the first nine months of last year while Swedish Match achieved SKr5.8bn.

Its Swedish brewer Pripps has a 50 per cent share of the domestic beer, soft drinks and table water market. Procordia also has brewing interests in Norway, St Petersburg and the Baltic countries. It is the market leader in Sweden in potato products, it has the Felix ketchup brand and Abba Seafoods, one of the best-known brands for the regionally popular pickled herring.

"Whoever buys Procordia will have a long-term impact in the Nordic market," said Mr Peter Lawrence, head of Scandinavian research at Kleinwort Benson in London. "It will put any buyer – either a newcomer or an established player – in a very strong position in the region." Hence the interest of Orkla and Carlsberg. "For them, acquiring Procordia is both a good defensive and offensive move," Mr Lawrence said.

The problem is the cost. One scenario being canvassed is that the two companies would co-operate to allow Carlsberg to take the drinks interests and Orkla the food operations.

Volvo would almost certainly prefer such a "Nordic solution" for Procordia to keep it under regional control.

"But we can't consider only that factor. We have to get the best price," said one executive.

Insiders suggest meanwhile that Swedish Match, which in recent years has been much more profitable than Procordia, will be sold to financial investors rather than to one of the industry's big names which already have strong positions in the local market and would almost certainly face anti-monopoly obstacles.

What's on offer

Turnover (SKr million)	1992	1993	1994
Swedish Match	8,785	8,763	5,847
Procordia			
Beverages	4,404	4,176	7,437
Food	5,488	6,109	
Procordia Invest	8,298	2,878	1,809

Operating profit/loss (SKr million)	1992	1993	1994
Swedish Match	1,167	1,139	1,103
Procordia			
Beverages	277	311	473
Food	252	282	
Procordia Invest	419	(224)	56

Source: Volvo/BCP

Heinz agrees to buy Quaker's US pet food business for $725m

By Richard Tomkins in New York

H.J. Heinz, the US food group, is to become one of the biggest pet food companies in the US with the surprise announcement that it has agreed to buy the North American pet food business of Quaker Oats, the US breakfast cereal and soft drinks group, for $725m.

The deal is the latest merger in the world pet food industry. It comes three days after Quaker Oats said it had agreed to sell its European pet food business to Britain's Dalgety for $700m.

Quaker Oats put its European pet food business on the auction block last November after it agreed to buy Snapple Beverage soft drinks group for $1.7bn in cash, but it had not indicated any intention to sell its North American business.

Yesterday Quaker Oats said the disposal was a logical step in the realignment of its business, turning it into a company focused on cereal products and "good-for-you" beverages. Analysts noted that the disposal would also help restore strength to the company's balance sheet.

Heinz already has pet food businesses in the US, Europe and New Zealand, but has been a relatively small player. With this acquisition, it will become the third biggest pet food company in the US, close behind Ralston Purina in first place and Nestlé in second.

Last month the number of big companies in the US pet food industry was reduced from six to five when Britain's Grand Metropolitan completed the sale of Alpo PetFoods to Nestlé for $510m.

Heinz's purchase of the Quaker Oats business will reduce the field to four: Ralston Purina with sales of about $1.4bn, Nestlé with sales of about $1.3bn, Heinz with sales of about $1.1bn, and Mars with sales of about $500m.

Mr Tony O'Reilly, Heinz's chairman and chief executive, said Heinz's existing strength in the US pet foods industry was in canned cat food, while that of Quaker Oats was in dry dog food.

The combination of the two would bring "a perfect complement and balance", he said.

With annual sales of $540m, the acquisition will double Heinz's sales in the fast-growing US pet food business to an expected $1.1bn in the year beginning in May.

Heinz believes it will add to earnings per share immediately.

Rhône-Poulenc to acquire Sanofi veterinary division

By John Ridding in Paris

Sanofi, the pharmaceuticals and beauty products arm of Elf Aquitaine, the French oil group, yesterday said it had agreed to sell its veterinary products businesses in Asia and North America to Rhône-Poulenc, the chemicals and drugs group.

The deal reflects Sanofi's policy of disposing of its bio-activities division, a strategic decision aimed at raising funds for last year's purchase of Sterling Winthrop from Kodak of the US. The acquisition of the prescription drugs business cost $1.7bn.

Sanofi declined to disclose the amount of its latest transaction, but said the businesses in question have annual sales of FFr580m ($109.4m) and employ 620. Final accords are expected to be signed within the next few weeks and the deal is subject to regulatory approval.

Conclusion of the deal will still leave Sanofi looking for a buyer for its veterinary businesses in Europe, Africa and the Middle East. These activities have combined total sales of about FFr900m.

Rhône-Poulenc, which will integrate the businesses into its Rhône Mérieux division, said the acquisition would strengthen its position in the US and Asian markets. It said the deal would allow it to complete its product range and bring it production facilities in the US for specialty veterinary pharmaceuticals.

According to Rhône-Poulenc, the acquisition will lift Rhône Mérieux to fifth or sixth position in the international market for veterinary pharmaceuticals and vaccinations, from number eight. Last year, Rhône Mérieux had sales of about FFr3.6bn of which two-thirds came from outside France.

The purchase is in line with Rhône-Poulenc's strategy of strengthening its core businesses while divesting non-core assets.

Since its privatisation in late 1993, the company has stepped up a programme of restructuring, including several large disposals over the past few months. Capital gains on some of the sales are expected to contribute to an increase in profits when the company announces results for 1994 later this week.

BK Vision asset value tumbles

By Ian Rodger in Zurich

BK Vision, the investment company that is challenging the governance of Union Bank of Switzerland, has reported a 22.6 per cent slide in its net asset value per share in 1994 to SFr1,278 per bearer share.

The decline was due mainly to the sharp fall in the value of UBS shares, especially since the outbreak of hostilities last September between BK Vision and UBS directors over the directors' proposal to convert the registered shares into bearer shares.

At the year-end, the market value of BK's holdings in UBS was down 9 per cent to SFr1.6bn ($1.2bn) in spite of additional share purchases. UBS securities accounted for 77 per cent of the value of its portfolio, with those of Zurich Insurance making up the rest.

Mr Martin Ebner, chairman, said BK Vision still believed "pressure from shareholders and the ruling of the courts will in the foreseeable future bring about constructive solutions and pave the way for UBS to exploit its dormant profit potential."

BK Vision has launched a one-for-10 rights issue to raise about SFr450m, testing investor confidence after the bearer shares have tumbled 43 per cent since their peak a year ago.

Mr Ebner said he reckoned the Swiss market had hit rock bottom and now was a good time to lift the fund's investment in financial shares.

He said BK Vision was watching "with keen interest" the increasing attention being paid by banks outside of Switzerland to higher return on equity.

German banks change accounting

By Andrew Fisher in Frankfurt

Germany's big banks are taking steps to make their accounts less opaque and more comprehensive, with the German banking association yesterday announcing agreement on new standards to bring interim results in line with international practice.

Instead of 10-month figures, banks will announce figures for nine months, as in other countries. The association's accounting committee agreed on the new accounting procedures for banks' six-monthly and nine-monthly figures.

That old stalwart of German banking results – partial operating profits – will disappear. This, the association said, was not common in other countries' accounts; the partial figure excludes profits on own-account trading which have been stated separately. Now, there will be one overall operating profits figure.

Also, interim results will be presented in a way that highlights group activities rather than those of the parent bank. This will make comparisons easier, even if some bank subsidiaries operate as separate legal entities.

In future, banks will compare interim results with the same calendar period of the previous year and not with a proportion of the past year's full results. Banks have provided half-yearly results compared with six-twelfths of the previous year or 10-monthly results compared with 10-twelfths. They have recently tended to give calendar-based comparisons.

Seita shares go on sale today at FFr129 each

By David Buchan in Paris

Shares in Seita, the French state tobacco company, will go on sale today to the public at a price of FFr129 a share, the French finance ministry announced last night.

The price is near the middle of the government's guideline range of FFr126-FFr134, which according to an analysis by the Banque du Louvre should produce a price/earnings ratio of around nine. Seita recorded profits of FFr665m ($125m) last year and is forecasting an increase this year.

The government is putting 26.6m shares on the market after retaining a 10 per cent stake, reserving 25 per cent of shares for a core of long-term stable shareholders and some further shares for employees and tobacconist owners.

The core of stable shareholders would each pay FFr135.66 a share, or 2 per cent more than the FFr133 charged to institutional investors.

The core comprises Crédit Commercial de France, with 5 per cent; Société Générale, 5 per cent; Groupe Jacques Lejeune, 4 per cent; Française des Jeux, the French lottery, 2.5 per cent; Barry SA, 1.5 per cent; Compagnie des Navigations Mixtes, 1.5 per cent; Compagnie Saint Gabriel (Groupe Bolloré), 1.5 per cent; Prestinval (Groupe Edward Stern), 1.5 per cent; Société BIC, 1.5 per cent; and Société Suisse d'Assurances Générales pour La Vie Humaine, with 1 per cent.

Half of the issue will be sold at the FFr129 price to the public starting today and ending at the close of business on February 14. The other 13.3m shares have been marketed to French and foreign institutional investors, in a book-building exercise which Mr Edmond Alphandéry, finance minister, said last night "could be closed at any moment from the evening of February 7".

The government has reserved the right to claw back 20 per cent of the offering to institutions if individual demand for Seita shares proves very strong.

BT Industries draws money men

Flotation of the lift-truck group is in the offing, writes **Andrew Baxter**

Investment bankers have been knocking on BT Industries' door, just a few months after a complex deal brought new majority owners to the Swedish company, one of the world's top 10 lift-truck groups.

The Stockholm money men are attracted by the lucrative prospect of a public flotation for BT, Europe's third largest producer of warehouse lift trucks, after Germany's Jungheinrich and Linde.

"It's a question of don't call us, we'll call you," says Dr Robert Andreen, managing director of Nordic Capital, the buy-out fund that has bought 52 per cent of Mjölby-based BT. But it looks as if the bankers will not have to wait too long.

Completion of the deal in November followed the decision in 1993 by KF, the Swedish co-operative movement, to sell its industrial activities, grouped in a holding company called Nordico, and free capital for its core retailing business.

Two Nordico units were sold in 1993, and there was considerable interest in the remaining businesses, says Dr Andreen. But quitting BT would have been a difficult decision for KF, which had founded the lift-truck company in 1946 as a spin-off from its warehouse handling activities.

A deal was struck which left KF holding 46 per cent, through KF Invest, while BT management had the remaining 2 per cent. Nordic Capital, backed by five heavyweight Swedish venture capital, pension fund and life assurance companies, also bought the three other remaining industrial businesses within Nordico.

The deal ended months of speculation about BT's future, with Jungheinrich, Toyota of Japan and Crown of the US among those rumoured to be interested buyers.

It also capped a year of change for the Swedish materials handling industry. Last summer, Kalmar, best known for its large lift-trucks used to shift loads such as shipping containers, was floated on the Swedish stock exchange by its then owner, Svedala.

As Mr Carl-Erik Ridderstrale, BT's president and chief executive puts it, the company no longer has a "grandma that was not feeling too good", restricting the lift truck company's ability to finance expansion.

At last month's launch of the Reflex range of high-performance reach trucks, BT's managers and new owners explained the thinking behind the deal and mapped out the route ahead.

Dr Andreen is impressed by BT's recent increase in European market share, from 12 per cent in 1991 to 15 per cent, and sees potential in the emerging markets such as Asia, which at present only account for 5-7 per cent of sales.

With the recession over, volume increases of at least 5 per cent a year are likely, he says, while prices could rise, easing the pressure on margins.

The new owners are heartened by the internal changes made at BT over the past two to three years, which have been vital in restoring the company's competitiveness. Along with many Swedish companies, BT entered the 1990s with a number of serious problems unresolved.

Apart from Sweden's high costs and the recession, Mr Ridderstrale reels off a list of internal difficulties. The company was failing to focus on its core business, warehouse lift trucks, and distracted by a costly foray into automated handling equipment.

Its product range was becoming outdated, manufacturing costs were too high and development programmes too long. Its production planning system was obsolete and working methods inflexible.

All this has changed. The BT Systems automated handling business was split from BT Industries in 1991. It has since been sold to Switzerland's Sprecher and Schuh.

Meanwhile, a new production strategy, easier-to-manufacture products and a reduction in the workforce from 4,200 in 1991 to about 3,300 have doubled productivity, halved product development times and reduced net operating assets to SKr1bn ($134m) from SKr1.4bn.

With an improvement in the lift-truck market and benefits from krona devaluation – albeit belated because of currency hedging – the losses of 1991 and 1992 turned to profits after financial items of SKr30m in 1993 and SKr154m for the first 10 months of last year on sales of almost SKr3bn.

Mr Ridderstrale believes profits can rise further this year, especially if BT's big German rivals try to increase prices to offset the effects of the stronger DMark.

According to Dr Andreen, the turnround in BT's performance means that, in theory, it is ready to be floated now. In practice, late this year would be the earliest, he says, and would depend on market conditions.

Waiting a year for a flotation would also allow BT to tackle what Mr Ridderstrale sees as three remaining weaknesses.

The group, he says, has too small a presence in Germany, Europe's most important warehouse lift-truck market, and France; brand awareness is low outside existing customers; and its policy of selling "small ticket products" through its network rather than through distributors is expensive.

These issues are being addressed, through moves such as the recent decision to start a German-only brand, Movit, for hand pallet trucks and other smaller items.

Along with the restructuring, Mr Ridderstrale believes this should help BT counter the threats to its businesses.

Strong turnround at Dutch paper group

By Ronald van de Krol in Amsterdam

KNP BT, the Dutch paper and packaging group, swung back into the black in 1994 with a provisional net profit of Fl 325m ($190m).

This is a strong turnround from its 1993 net loss of Fl 343m, when results were heavily influenced by restructuring provisions of Fl 320m prompted by difficult trading conditions in the European paper sector.

The company, created in 1993 out of a merger of the Netherlands' three leading paper and packaging groups, said profit per ordinary share stood at Fl 3.04 in 1994 compared with a loss of Fl 0.27 in the previous year.

The provisional figures were released after the close of trading on the Amsterdam stock exchange, where KNP BT's shares rose Fl 0.50 to close at Fl 53.90.

Definitive figures for 1994, including turnover and dividend details, are due to be published on March 16.

Adidas considers a public share offering

Mr Robert Louis-Dreyfus, chairman of Adidas, the sportswear and shoe manufacturer, said the company was considering a public offering of between 20 per cent and 30 per cent of its shares in 1996, AFX reports from Munich.

He told a news conference that the offer would be divided between Germany and the US.

The company, which is majority-owned by Adidas International Holding, is negotiating with Crédit Lyonnais to buy the 4 per cent of Adidas which the French bank still owned.

Mr Louis-Dreyfus, who owns 24.9 per cent in the holding company, said the offering would involve all current investors selling equal percentages of their holdings.

The chairman said he expected Adidas sales to rise about 20 per cent in the first half of 1995.

In 1994, he expected Adidas to post a net profit of between DM25m and DM35m ($16.4m-$23m), up from DM9m in 1993.

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Kellogg facing charge of up to $40m after job cuts

By Richard Tomkins in New York

Kellogg, the US breakfast cereal company, yesterday said it planned to increase productivity by cutting between 300 and 350 jobs in the US and overseas, resulting in a one-time pre-tax charge of $30m to $40m in the second or third quarter.

It said about one-third of the jobs would be salaried positions in its US cereal operations and the remainder would be outside the US. It expected to achieve cost savings of $12m to $15m a year.

Kellogg's decision follows the company's poor financial performance last year. Net income rose by less than 4 per cent to $705.4m, mainly because profits in the US were hit by tough competition.

Like other US manufacturers of premium cereal products, Kellogg is facing inroads into its market by cheaper products and own-label brands. Traditionally it has charged high prices for its products but lured consumers with heavy promotional spending on money-off coupons.

Last year it revised that strategy after General Mills, one of its biggest rivals, reined back promotional spending and cut its prices by an average of 11 per cent. Kellogg, too, cut promotional spending and said it would invest more in brand-building advertising.

The cut in promotional spending initially helped Kellogg's bottom line, but it has failed to compensate for further declines in US sales. Last month Mr Arnold Langbo, chairman and chief executive, said Kellogg was "extremely sensitive" towards further volume decline, raising speculation that the company might be forced into a price war.

Capital Cities/ABC earnings ahead by 46% for full year

By Tony Jackson in New York

Capital Cities/ABC, the US media group, underlined the recent revival of the US TV networks with a 46 per cent jump in full-year earnings to $680m.

The final quarter showed a 44 per cent rise to $241m, in spite of the period being six days shorter than the year before.

Earnings per share rose more sharply as a result of share buy-backs, with full-year earnings up 55 per cent before extraordinary charges at $4.42, and earnings for the quarter up 52 per cent at $1.56. The company bought in some 10m shares in the course of the year.

Operating profits from broadcasting rose 47 per cent in the quarter to $410m, on sales up 4 per cent at $1.7bn. The contribution from the ABC TV network was up significantly, the company said, as a result of strong advertising demand. There was also a significant rise at ESPN, the group's cable network.

Earnings from the publishing division, which takes in newspapers, periodicals and books, were up 17 per cent at $42m for the quarter, with the specialised publications performing better than the newspapers.

In addition to the ABC and cable networks, the group runs a number of local TV and radio stations, and produces its own TV programmes.

For the full year, operating income from broadcasting was up 45 per cent at $1.13bn, with ABC, ESPN and the radio stations up "very significantly".

Full-year publishing profits were $155m, a rise of 23 per cent.

Record income for US Healthcare

By Richard Waters in New York

US Healthcare, one of the biggest operators of health maintenance organisations in the US, reported record net income of $391m for 1994, up 30 per cent from the previous year. The Pennsylvania-based company's results benefited from higher enrolment numbers and lower medical costs.

By the end of last year, US Healthcare's health plans covered nearly 2m people, up 293,000 from a year before. Of the increase, 175,000 are in plans insured by the company, with the rest in schemes funded by their employers.

The company also reported that its medical cost ratio (the proportion of premiums it pays out in medical costs) dropped to 69.3 per cent for the year, from 72.7 per cent. A health maintenance organisation reduces medical costs by using its size to negotiate lower rates from hospitals and other healthcare providers, and by restricting the types of treatment and drugs available to patients.

The improvement contributed to earnings per share of $2.42 for the year, compared with $1.84 in 1993. For the final three months of the year, net income increased to $107m, or 67 cents a share, from $91m, or 56 cents a share, the year before. The medical cost ratio for the period was 68.2 per cent, compared with 68.7 per cent in the same period of 1993.

● Healthsouth, the largest US provider of rehabilitation services, is buying 11 hospitals and 12 other facilities from rival NovaCare, writes Maggie Urry. The $235m deal will give Healthsouth a total of nearly 450 locations including 67 hospitals, with a total of nearly 5,000 beds.

McDonnell Douglas may halt MD-11 line

By Richard Tomkins

McDonnell Douglas, the US aircraft manufacturer, yesterday said it may have to consider mothballing production of its biggest aircraft, the 300-seat MD-11, for part of next year because of a severe order shortage.

It emphasised that this was "a worst case scenario" and was only one of several options under consideration. Its shares, however, fell $1⅛ to $52⅞ in early trading.

McDonnell Douglas's warning came amid continuing weakness in global demand for new aircraft.

Last week Boeing of the US, the world's biggest aircraft manufacturer, said it was cutting 7,000 jobs and scaling back production of two types of aircraft because of order shortages.

McDonnell Douglas makes three commercial aircraft: the MD-80 twin-jet, the new MD-90 twin-jet, and the MD-11 tri-jet. Production of the aircraft employs about 10,000 workers at a plant in Long Beach, California.

The downturn in demand for new aircraft has caused McDonnell Douglas's deliveries to plummet from 126 in 1992 to 39 last year, of which 22 were twin-jets and 17 were MD-11s.

The company expects to benefit from its share of a $6bn commercial aircraft order from Saudi Arabia announced by President Bill Clinton last year, but final negotiations over the deal have taken longer than expected and left the company with a hole in its MD-11 order book in 1996.

McDonnell Douglas said that if the delays continued, one option under study was to close the MD-11 production line for a period. Thousands of workers would be temporarily laid off, although production of the company's other aircraft would continue.

It said this would be an extreme measure which it hoped to avert – either through completion of the negotiations with Saudi Arabia or by winning orders from other airlines.

Australians pluck American fruit

Richard Waters and Nikki Tait report on NAB's US purchase

It has been an open secret that National Australia Bank, the sturdiest of Australia's "big four" commercial banks, has been scouring the US for an acquisition for some years.

On Sunday that search finally bore fruit. NAB has agreed to pay $1.5bn for Michigan National, a regional bank with a decidely chequered recent history, in what it says will be the first part of a broader expansion in the US.

The deal is the biggest of a series of recent acquisitions by foreign banks in the country. The general weakness in bank shares since last summer may have cooled the domestic US takeover market: chairmen whose own companies are valued by the stock markets at only around 9 times this year's earnings have difficulty justifying multiples of 15 or more for acquisitions.

Foreign banks, however – particularly those able to pay with cash – have felt less constrained at paying a premium to gain a foothold in the world's biggest banking market.

For the big Australian bank, there are fairly obvious reasons for the move. NAB has a large presence in its core Australasian markets, and can reasonably expect these to become more competitive in the months ahead. Two of its large banking competitors, Westpac and ANZ, are emerging from their recession-related bad debt and problem loan difficulties. At the same time, as in many other countries, boundary lines between different types of financial institutions are being redrawn.

NAB's earlier diversification into the UK – where it owns the Clydesdale, Yorkshire and Northern banks – is now well bedded down. It is currently looking to acquire the Irish TSB Bank, but even if this comes to fruition it would be a modest deal. As for Asian opportunities, Mr Don Argus, NAB managing director, has said firmly, if unfashionably, that the bank intends to take "a low-risk, low-cost strategy, rather than get in there and biff it out with established players".

With Michigan National, NAB has found an institution which is still in the early stages of a turnround after a failed attempt to expand into mortgage banking in the late 1980s. Under chairman Mr Robert Mylod, a former president of the Federal National Mortgage Association (Fannie Mae), the bank bought lending institutions in California and Texas, as well as a significant book of mortgage servicing rights. Those purchases hit Michigan National hard as bond prices first soared, prompting a wave of mortgage refinancings and hitting the value of its servicing rights; then dropped, ending the refinancing boom and with it the mortgage origination business.

The bank, with $8.9bn in assets and 191 branches, has since sold the businesses outside its home state. While operating under the close scrutiny of the US comptroller of the currency, whose office regulates nationally chartered banks, it brought in a new president and chief financial officer last year and is in the early stages of a cost-cutting exercise intended to bring its excessive cost base more into line with other regional banks.

That Michigan National has agreed to be acquired before its planned rehabilitation takes effect is believed to owe much to the attentions of its biggest shareholder, Heine Securities. The firm, with 8 per cent of the bank's stock, has been agitating for a sale for some time, and at last year's annual meeting won considerable support from other shareholders in a protest vote against directors. This year, that protest has looked increasingly like turning into an outright proxy fight, in which incumbent directors could have found themselves unseated.

> The price paid by NAB is towards the top end of valuations of other recent US bank deals

Against that background, the bank's shares had already risen on the hopes of a takeover. Even then, the $110 a share being offered by NAB was well ahead of the $88⅞ at which the shares closed on Friday.

At nearly two times book value, and 14 times earnings, the price paid by NAB is towards the top end of valuations of other recent US bank deals.

For NAB, the acquisition is likely to be the first of several in the US. The bank is attractive because it fits into a "strategy of running a federation of regional banks in economies where there is strong growth and we understand the accounting rules," NAB says.

The Australian bank said that it would expect "negligible" immediate effect on its earnings from the proposed deal, and an increasing contribution to profits over the longer-term. One area where NAB claims its own expertise may prove valuable is in pushing Michigan National towards a more evenly-weighted balance of consumer and commercial business.

At present, the latter accounts for about 80 per cent of the total. "There are great opportunities to pursue the consumer-type banking we operate in this country," commented Mr Argus, yesterday.

He also made clear that the purchase of Michigan National, which puts about one-tenth of NAB's assets in the US, would not be the end of the Australian company's stateside ambitions. "It's a good shell bank, which we can drive organically or use for further acquisitions," he said.

He is not alone. Others, such as Harris Trust, owned by Bank of Montreal, and National Westminster Bancorp, part of the US bank, have also been active acquirers recently, buying additional assets and branches to add to what are already sizeable US regional banking businesses.

From an existing base, such deals can make good financial sense. NatWest paid more than 2 times book value in two acquisitions in New Jersey last year.

According to Mr John Petts, a senior vice-president at the bank, the bank should be able to cut around 40 per cent of the non-interest costs of the two institutions.

Stone Container sees extended recovery

By Maggie Urry in New York

Stone Container, the US paper and packaging group, is predicting the current upturn in the industry will be "stronger and longer than past recoveries, lasting at least into 1997". However, rising prices for recycled fibre added $52m to costs and held back fourth-quarter profits. Net income was also affected by a higher tax rate.

Nevertheless, Stone reported net income in the final three months of 1994 of $29.8m, or 28 cents a share, on a fully diluted basis, compared with a net loss of $85.8m, or $1.23, in 1993. Sales in the quarter were 30 per cent up at $1.62bn.

The full year produced a net loss of $205m, after one-off charges which totalled $75.8m, compared with a loss in 1993 of $359m, after charges of $39.5m relating to accounting changes and the early repayment of debt.

On a per share basis the loss was $2.46, against $5.15, or before the charges $1.60 compared with $4.59.

Sales in the year were 14 per cent higher at $5.75bn.

Stone said it raised prices for its containerboard and corrugated boxes in January. It is planning rises for newsprint in March and May. Market pulp prices also went up last month and another increase is scheduled for March.

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Weyerhaeuser helps Slocan fend off Canfor

By Bernard Simon in Toronto

Vancouver-based Slocan Forest Products has enlisted the support of Weyerhaeuser, the US forestry group, to help fend off an unwelcome takeover bid from Canfor Corp.

Weyerhaeuser's Canadian subsidiary would gain a secure supply of wood chips from Slocan sawmills for 10 years in exchange for investing C$80m (US$57m) in senior unsecured notes issued by Slocan.

The funds will finance half of Slocan's proposed buy-back of 8m shares, or about one-fifth of its outstanding shares, at C$20 each. Slocan hopes its shareholders will find the buy-back offer more attractive than Canfor's bid.

Canfor has offered C$19 cash for about 10 per cent of Slocan's shares and 0.935 Canfor shares for each remaining Slocan share. The bid, which values Slocan at about C$700m, closes at midnight tonight and is subject to a 51 per cent acceptance rate.

Canfor has insisted it will not sweeten its terms again. But Mr Brian Topp, analyst at BZW Canada, yesterday said both companies "still have room for manoeuvre".

Mr Topp said, however, that the shares of both companies are now expensive in relation to the outlook for the lumber market. "We would be selling Slocan without a second thought," he said.

Like Weyerhaeuser, Canfor's interest in Slocan stems largely from its eagerness to gain a secure source of fibre for its pulp mills. The market for wood chips is extremely tight, partly because of increasingly severe restrictions on tree-cutting in British Columbia and the north-west US.

Scarce wood fibre also lies behind a deal announced yesterday under which Orenda Forest Products, another British Columbia timber producer, plans to merge with a private company controlled by lenders to the Gold River newsprint mill on Vancouver Island.

The C$320m mill, which is among the world's most modern newsprint facilities, has been idle since late 1993 as a result of a dispute between the lenders and Avenor, the mill's main shareholder. The original bank lenders have sold the bulk of their loans to US "vulture" funds.

A spurt in world newsprint prices last year has improved Gold River's viability. But its future has remained clouded by concerns over fibre supplies.

Donohue's net profits surge to record

By Robert Gibbens in Montreal

Donohue, the Quebec-based newsprint, pulp and timber group, has shown how rising product prices and shipments can swiftly affect profitability.

For the final quarter of 1994, Donohue, one of North America's most efficient softwood pulp and newsprint producers, posted record net profits of C$48.2m (US$34.4m), or 66 cents a share, up from C$7.1m, or 10 cents, a year earlier, on sales of C$229m against C$155m.

Net profit for the full year amounted to a record C$114.2m, or C$1.59, up sevenfold from C$16.8m, or 23 cents, on sales of C$807m against C$574m.

A weaker Canadian dollar helped in the fourth quarter – most of the company's products are exported.

But higher selling prices and volumes were the driving force throughout the year.

The fourth quarter included C$11.3m in refunded duties paid on timber exported to the US and 49.9 per cent of the earnings of Finlay Forest Industries, a British Columbia pulp and newsprint firm, for eight months.

Donohue acquired the stake in Finlay last April.

Newsprint prices spiral as demand soars

Newspaper publishers around the world are feeling the pinch, writes Bernard Simon

A surge in world newsprint prices is forcing paper producers and their customers to think hard about the way they do business.

The boardroom ruminations were evident last week when Mr Rupert Murdoch, chairman of News International, hinted that spiralling raw material costs may end the vicious UK newspaper price war which he initiated in mid-1993.

Mr Murdoch is by no means alone in his predicament. Publishers around the world are wincing at the unexpectedly sharp rise in newsprint costs which in general make up 20-25 per cent of a newspaper's total cost.

Transaction prices, which bear little resemblance to "list prices" quoted by producers, have jumped from about $410 a tonne in mid-1993 to $600 a tonne.

Abitibi-Price of Canada, the world's biggest producer, notified its North American customers last week that it planned to lift prices by another $75 a tonne on May 1.

Publishers have already taken steps to relieve the pain, including reduced web sizes on printing presses, tighter controls on circulation, and a shrinking ratio of editorial to advertising space. Many newspapers outside the UK have also raised their cover prices.

An executive at one large US newspaper chain estimates his group's newsprint bill has risen by about $125m over the past 18 months. He predicts higher costs could force many dailies in cities with more than one title to re-examine their future.

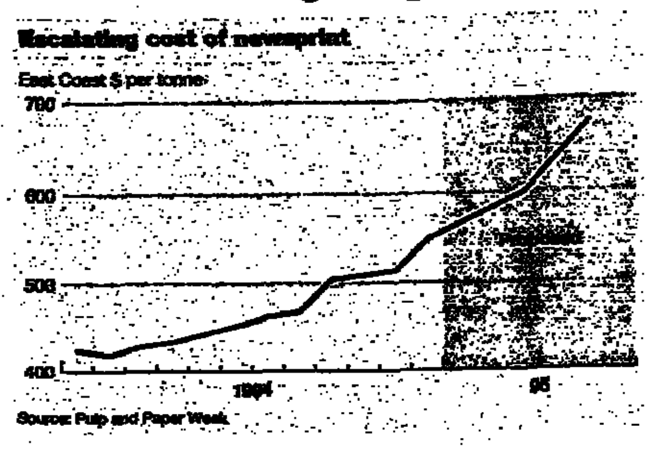
"The inmates are in charge of the asylum," he says, referring to Abitibi's announcement of another price rise before it has even implemented a $50 a tonne increase set for March 1.

Demand in North America is so strong that shipments from Canadian mills to their UK customers are about four weeks behind schedule. "It's time to roll over and be raped," says one exasperated UK newsprint buyer. In North America, some publishing companies which usually have their newsprint delivered by rail or barge are demanding it be sent more quickly by truck.

The squeeze is most intense, however, in south-east Asia, where newsprint consumption has soared in recent years. According to the Canadian Pulp and Paper Association, Canadian shipments to Asia climbed by 12 per cent in 1993 and by another 15 per cent in the first 11 months of last year.

Rising demand in Japan, Korea, Taiwan and Indonesia – all of which rely heavily on imported supplies – has been a mainspring of the run-up in prices. Spot prices in the Pacific basin are said to be as high as $800-$900 a tonne.

Escalating cost of newsprint



Source: Pulp and Paper Week

For the producers, however, the price increases are long overdue. Low raw material prices may have helped many newspapers survive the 1991-93 recession and tempted proprietors, such as Mr Murdoch, into a price war.

But the recession has ravaged producers, mainly in North America and Scandinavia. The CPPA calculates that the Canadian pulp and paper industry racked up losses of C$5.5bn (US$3.93bn) between 1991 and 1994.

"In these tight markets, we are looking to get back to reasonable returns to compensate for the past four years of losses," says Mr Bob Tait, Abitibi's investor relations manager.

The CPPA predicts world demand for newsprint will climb by 2.7 per cent annually over the next three years. US daily newspaper consumption grew by 4.9 per cent last year, and remains strong.

By contrast, supply is slated to rise by just 1.2 per cent a year. Only 600,000 tonnes of capacity around the world, or the equivalent of about three weeks production in Canada, is idle.

No new virgin-fibre projects are on the drawing boards in North America and only two new newsprint machines are due to come on stream in Europe before 1997.

If the CPPA's predictions are correct, the ratio of demand to worldwide industry capacity will rise from 93 per cent this year to a record 96 per cent in 1997.

However, the pulp and paper market is renowned for its volatility. Recent history has shown that prices can dive as unexpectedly as they rise.

North American publishers received one piece of good news last week. Fletcher Challenge Canada and its unions settled a labour dispute which has shut three mills in British Columbia since Christmas.

Furthermore, newspaper publishers and their readers have yet to feel the full impact of recent price increases. Consumption of newsprint could flatten out or even decline later this year under the combined weight of higher cover prices and the expected slowdown of the overall economy.

Analysts and buyers are waiting to see whether other North American producers follow Abitibi's lead in announcing a May 1 increase. None has so far done so.

The price spiral has also put producers on the spot. The severity of the 1991-93 slump was exacerbated by a spate of investments in new paper machines, just as the previous cycle was reaching its peak.

Newsprint producers now have to decide whether the upswing will last long enough to justify investing in new capacity. But no one wants to be caught again spending hundreds of millions of dollars on a new paper machine just as the market turns down.

Net earnings at Dofasco improve to C$220.9m

By Bernard Simon

Dofasco, Canada's biggest steelmaker, almost doubled operating income in 1994, but warned that the recent rise in North American interest rates could hit steel demand later this year.

Net earnings last year rose to C$220.9m (US$157.8m), or C$2.33 a share, from C$138.6m, or C$1.41, in 1993. Sales climbed to C$2.26bn from C$2.1bn.

Fourth-quarter earnings fell to C$63.4m, or 67 cents, from C$82.4m, or 95 cents, a year earlier. The drop was due entirely to one-time gains in 1993. Fourth-quarter operating profit soared to C$82m from C$48.8m, and steel shipments climbed to 795,000 tons from 751,000 tons.

In addition to buoyant demand, fourth-quarter shipments were boosted by deliveries ahead of a January 1 price increase.

Flat-rolled steel consumption in Canada is estimated to have soared by 16 per cent last year, taking it 11 per cent above the 1988 peak. However, Dofasco, based in Hamilton, Ontario, expects growth in steel demand in Canada and North America as a whole to slow to 1-2 per cent in 1995.

Tokai Bank offshoot gains brokers licence

Tokai International Securities, a unit of Tokai Bank, has been granted a brokerage licence by Japan's Ministry of Finance, AFX reports.

Tokai International also intends to file applications with the Tokyo Stock Exchange and the Japan Securities Dealers Association to obtain qualification as dealers in bond futures and over-the-counter issues.

Tokai International said it expected to start operations early March, with initial paid-in capital of Y30bn ($301m). Mr Shuzo Sato will be president.

Scrip dividend proposed by Absa

By John Gapper, Banking Editor

Amalgamated Banks of South Africa, the country's largest banking group, yesterday indicated it would offer its shareholders a scrip dividend this year in order to help finance growth without raising fresh equity.

Mr Danie Cronjé, chief executive, told investors in London that the bank, which is attempting to re-build its share of the retail financial services market after three years of disruption, would not need to raise new capital.

Mr Cronjé said that Absa had consulted large shareholders, including South African National Life Assurance and Universal, about offering them a scrip alternative to this year's cash dividend in order to bolster capital ratios.

He said that a scrip dividend, which would enable investors to avoid a 25 per cent tax on cash dividends, was accepted in principle by one big shareholder, and it now seemed "feasible" for Absa to follow other banks in offering one.

Barings Securities, the broking arm of the merchant bank which hosted Absa's London presentation, has estimated that an 80 per cent take-up of a scrip dividend would add 0.3 percentage points to the bank's capital ratios. Its current ratio of total capital to risk-weighted assets is relatively low at 8.6 per cent. But Mr Cronjé said that because loan capital was convertible into equity, it could easily strengthen its 6.2 per cent tier 1 ratio.

Mr Cronjé said there was no need for fresh equity, and no immediate plan to raise new loan capital. He said the bank, formed in two mergers of banks and building societies, would not sacrifice credit quality to gain new business.

He said that its share of products such as mortgages had fallen because of disruption due to merger, and it would try to regain its former market share gradually. However, it was determined not to lower credit standards in doing so.

Absa's financial year ends on March 31. In the six months to September 30, its pre-tax profits rose by 16.6 per cent to R1.07bn ($301.7m), marking the start of a recovery after flat earnings due to difficulties with the mergers.

Mr Cronjé said there was no sign of banks such as Barclays and Standard Chartered, which divested retail banks in South Africa before the end of apartheid, re-entering that market. However, he said that he would welcome such competition.

Yamaha Motor may take stakes in Asian groups

Yamaha Motor, the Japanese motorcycle maker, is considering taking direct stakes in Escorts of India and Siam Yamaha of Thailand as part of its aim to boost its presence in the Asian market, AFX reports from Tokyo.

Yamaha Motor said it had not agreed on details of the planned share purchases. Its relationship with the two companies to date has been limited to technical agreements.

Separately, Yamaha Motor said it intended to halt permanently direct motorcycle exports to Mexico after suspending exports in December.

Prices for electricity determined for the purpose of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 07.02.95: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.20	8.95	8.95
0100	8.70	28.10	29.98
0130	8.74	40.36	42.23
0200	8.74	40.36	42.23
0230	8.71	40.36	42.23
0300	8.70	40.36	42.23
0330	8.70	40.36	42.23
0400	8.66	26.27	28.14
0430	8.20	10.01	10.01
0500	8.11	10.05	10.05
0530	8.65	9.90	9.90
0600	8.65	9.90	9.90
0630	8.66	10.01	10.01
0700	8.80	30.27	32.15
0730	9.44	30.95	33.01
0800	9.48	33.93	36.53
0830	9.53	36.68	38.77
0900	13.80	39.06	41.61
0930	10.15	54.92	58.98
1000	10.42	90.39	94.58
1030	14.55	89.61	93.61
1100	14.53	38.56	42.38
1130	14.79	38.95	42.87
1200	14.98	55.93	60.09
1230	14.79	90.02	94.08
1300	10.34	89.39	93.51
1330	9.96	37.63	41.16
1400	13.91	37.03	40.42
1430	9.82	36.64	39.79
1500	9.82	36.77	40.09
1530	9.90	43.35	46.73
1600	10.74	101.60	116.38
1630	20.53	285.86	311.03
1700	50.77	434.03	501.86
1730	81.10	453.60	616.23
1800	92.96	332.02	380.07
1830	71.24	147.85	170.63
1900	41.54	72.92	82.44
1930	23.30	52.22	57.09
2000	16.71	43.51	48.00
2030	9.59	30.96	32.97
2100	9.48	30.85	32.58
2130	9.00	30.28	32.16
2200	8.82	29.77	31.64
2230	8.80	30.25	32.12
2300	8.70	25.70	27.58
2330	8.65	10.03	10.03
2400	8.65	10.01	10.01

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alteration) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their [illegible]

INTERNATIONAL COMPANIES AND FINANCE

Fresh doubts hit Metro Pacific's Manila project

By Edward Luce in Manila

Metro Pacific, the Indonesian-controlled property group which last month led the winning consortium in a $1.5bn bid for a former military base in central Manila, has asked the government for more time to make payments on the deal.

Its bid for the 117-hectare Fort Bonifacio site bordering the Makati financial district was some 30 per cent higher than its nearest competitors. It was regarded as audacious in the equity market, given the need for utility services on the site and the long lead time before Metro can expect a return on its money.

The Bases Conversion Development Authority (BCDA), a government agency which retains 45 per cent ownership of the site, will rule on Metro's rescheduling request in the next few days.

The request has, in any case, cast fresh doubts on the Philippines' largest property deal.

Manila property brokers believe a decision in favour of Metro Pacific would prompt Ayala Corporation, the Philippines' largest property group and runner-up in the Fort Bonifacio bidding, to launch a legal challenge in the courts.

The five competing groups agreed before bidding began last month that a successful bid could not be contested in the courts unless the winning group requested a change of rules after the contest had closed.

The BCDA would have the right to reclaim the 55 per cent of Metro it sold if it decided to reject Metro's request, and if the company was unable to meet the February 1996 deadline on the second half of the payment. This would be a severe blow to the credibility of Metro, whose shares have been under pressure since the auction last month.

"The Metro ruling is crucial for the Philippine government because it could put into question its ability to manage large-scale privatisations," said one analyst in Manila yesterday. The ruling is also considered to be an important indication of whether Manila's commercial property boom will continue to attract wide foreign interest.

The Metro Pacific-led consortium to develop Fort Bonifacio includes the Philippine flagship company of Malaysian property developer Mr Robert Kuok, and Land & Houses Public Company, a prominent Thai housing developer.

JCI allays fears over mine merger

Johannesburg Consolidated Investment (JCI), the South African mining group, says it has eliminated much of the risk associated with the planned merger of its Western Areas and South Deep gold mines, Reuter reports from Johannesburg.

"We have a world-class mine in the making... that represents the greatest growth opportunity in the gold mining industry today," group gold and uranium chairman Mr Bill Nairn said yesterday.

Shareholders will be asked on February 21 to approve the merger between Western Areas Gold Mining and the adjacent South Deep Exploration.

Mr Nairn said the South Deep project had been under investigation for the past 15 years. Some R200m ($56.4m) had already been spent assessing the geological and technical aspects of the development.

"We don't want to go in there with risk," he said. "We are happy that we have addressed this thing technically."

Mr Nairn was responding to doubts from some analysts on the value of the project. One said investors had been "burned" before by faulty projections on similar ventures.

Under the merger terms, Western Areas will acquire South Deep's entire mining operations at a ratio of 92 Western Areas shares for every 100 of South Deep's held.

JCI said last week the merged company would need outside funding of R1.1bn, at July 1994 money terms, and would call an initial rights issue of between R500m and R600m after the completion of the merger.

The balance of the money would be sought in 1999.

Host Marriott leaseback

Host Marriott, the US hotels group, has agreed the sale and leaseback of 21 Courtyard hotels to Health and Retirement Properties Trust for $179m, with 10 per cent of the price deferred, reports Reuter from Washington.

It will share in the properties' future cash flow as part of the transaction.

Under terms of the agreement, Health and Retirement will receive annual base rent of about $18m, plus a percentage rent equal to 5 per cent of the increase in hotel revenues. Host Marriott will receive the properties' residual cash flow.

Health and Retirement also receives a one-year option to purchase the remaining 33 Host Marriott-owned Courtyards on similar terms.

NEWS DIGEST

EBS shares up as speculation over takeover persists

Shares in Eridania Béghin-Say (EBS), the French agro-industrial group controlled by Italy's Montedison, rose 5 per cent in Paris yesterday, in spite of Montedison's attempts to dampen takeover speculation, write Andrew Hill in Milan and David Buchan in Paris.

At a dinner in Paris last week, Mr Umberto Agnelli, chairman of Ifil, the quoted Italian holding company, said there were obvious synergies between EBS and Saint Louis, the French food, paper and sugar group controlled by Ifil and the French financial holding company Worms.

Montedison, which also has energy and chemicals interests, yesterday reiterated that EBS was "an essential component" in its recovery strategy, and said there were no plans to reduce its EBS stake. "There have been no contacts of any sort with Ifil or other potential buyers," Montedison said.

Mr Agnelli had already pointed out last week that any attempt to forge links between EBS and Saint Louis would come under close scrutiny from national and European anti-trust authorities, and would probably require the sale of certain parts of each company.

At one point, EBS shares were up FFr72 at FFr798, but they closed at FFr762. Shares in Montedison rose L6 to L1,290 in Milan.

Production begins on delayed oil project

The Goodwyn A gas drilling and production platform, on the North-West Shelf off Australia's north-west coast, has finally come into production after 16 months' delay, writes Nikki Tait in Sydney. The hold-ups were largely due to engineering problems.

Woodside Petroleum, one of six participants in the project, said the new platform, the largest offshore facility in the southern hemisphere, was started up yesterday. It has begun producing from the first of a dozen production wells.

"An accelerated drilling production programme will see production build up to full plateau capacity, which is expected to be 80,000 barrels a day of condensate, and 900 million cubic feet a day of natural gas, by mid-1996," it said.

When drilling is completed, the cost of the project is expected to have reached some A$2bn (US$1.5bn).

Portman Mining share sale to Citic blocked

Shareholders in Australia's Portman Mining yesterday voted down a proposed A$37.8m (US$28.5m) share placement to China International Trust and Investment Corporation (Citic). The deal would have given the large Chinese investment group a controlling 52 per cent interest in the Perth-based group, which it planned to use as a vehicle for resource and mining interests in the Asia-Pacific region.

Portman said after the vote it would review other means of financing a proposed A$74m coking coal project in Queensland.

Citic was to have procured a 10-year loan for the venture.

Commenting on shareholders' action, Portman said: "There was a general view that the fair and reasonable judgment by the independent expert may have been on the low side. There was obviously a block of shareholders which felt the deal was inadequate."

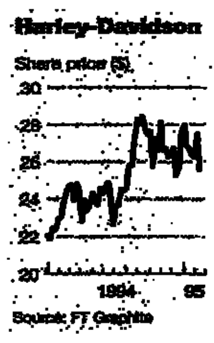
US chemicals group agrees Japanese link-up

FMC, the diversified US chemicals group, has agreed to sell a 20 per cent interest in its Philadelphia-based soda ash business to Nippon Sheet Glass and Sumitomo Corp for $150m, Reuter reports from Chicago. FMC said the two companies would also invest in FMC Wyoming Corp's previously-announced $135m two-phased solution mining project.

When the deal is completed, FMC's Wyoming unit will be solely composed of the company's soda ash business. FMC Wyoming will supply soda ash to the glass manufacturing operations of Nippon Sheet Glass, with Sumitomo handling distribution in Japan.

FMC said it would retain management control of both the soda ash business and its Green River, Wyoming soda ash mining and manufacturing facility. The joint venture is expected to be completed in the second quarter of this year.

Harley-Davidson warns of falling margins



Harley-Davidson's operating margins for its motorcycle business may deteriorate this year, said Mr Richard Teerlink, the US company's chief executive, Reuter reports from New York. "We could see margins deteriorating in 1995," Mr Teerlink told analysts. The company's 1994 margin was 14.1 per cent. The company is finalising plans for a new distribution centre in Rotterdam, but Mr Teerlink said it had no plans for a manufacturing plant there.

Mr Jeffrey Bleustein, president of the motorcycle division, reiterated that the company expected to produce 100,000 motorcycles in 1995 and 115,000 in 1997.

He said the company was making 395 motorcycles a day by the end of 1994, 13 per cent higher than in 1993. Mr Teerlink said the company had no plans to produce a 650cc motorcycle, although he acknowledged that was a significant segment of the market.

In New York, the company's shares were $1⅛ lower at $25⅞. in early trading yesterday

Agco distribution deal

Agco, the rapidly-expanding US farm equipment producer, has reached an agreement to become exclusive distributor in the US, Canada and Mexico for Landini, the Italian tractor producer, writes Andrew Baxter in London.

Atlanta-based Agco will acquire Landini's dealer network in North America, where sales of Landini equipment reached $26m in 1994. Landini makes specialty tractors used in applications such as vineyards and orchards, and standard agricultural tractors between 40hp and 130hp.

The deal follows Agco's acquisition last June of UK-based Massey Ferguson, which has a 30 per cent stake in Landini.

S Korea scales back bank privatisation

The South Korean government will reduce the number of shares it plans to sell in the state-owned Kookmin Bank, formerly Citizens National Bank, because of poor stock market conditions, writes John Burton in Seoul.

The government originally hoped to sell all of its remaining 47.6 per cent stake, or 27.72m shares, in the bank on February 9 and 10 as part of its privatisation programme. However, it has reduced the amount to 15.8 per cent, or 9.24m shares. It plans to proceed with the sale of the rest of Kookmin shares when market conditions improve.

Taiwan Glass profits ahead 42% for year

Taiwan Glass Industrial Corp has announced a 42 per cent rise in its 1994 preliminary net earnings, to T$1.82bn (US$69.2m), or T$2.86 a share, amid increased demand, AP-DJ reports from Taipei.

The company also forecast a 5 per cent increase in 1995 net earnings, to T$1.92bn on sales of T$9.8bn, up 9 per cent from 1994.

Taiwan Glass said it planned to spend T$3bn on a float glass-making plant in mid-western Taiwan. The project will be funded with its own money, reserved earnings and proceeds from planned global depository receipts.

COMPANY NEWS: UK

BA's 57% rise exceeds expectations

By Michael Skapinker, Aerospace Correspondent

British Airways yesterday exceeded analysts' expectations by announcing third quarter pre-tax profits up by 57 per cent from £65m to £102m ($160m).

Sir Colin Marshall, chairman, said the airline had benefited from strong demand, low fuel prices and continued progress towards its cost reduction target of £150m for the financial year which ends on March 31. He said the outlook for 1995 was encouraging with demand remaining strong, but he warned that price competition remained intense.

He said the prospects for low fuel prices were good as a result of mild winter weather in North America and Europe. The airline's fuel and oil costs fell 9.8 per cent in the third quarter to £147m. This reflected exchange rate benefits and a 4.2 per cent fall in the dollar price of fuel.

Sir Colin repeated his warning, made at the half-year stage, that BA might have to make a write-down against the book value of its investment in USAir, the struggling carrier in which BA has a 22 per cent stake. BA's stake in the US airline has a book value of £261m.

USAir, which announced last month that it made a net loss for 1994 of $648.9m, is currently negotiating with its unions on how to cut costs. Sir Colin said the outcome of these negotiations was uncertain. He added, however, that BA's alliance with USAir was unaffected and that the two airlines would continue with arrangements such as code-sharing and joint frequent flyer programmes. BA still expects benefits from the alliance to be about $100m (£64m) in the current year.

The airline's other alliances produced varying results. Qantas traded profitably in the quarter but combined losses at TAT European Airlines and Deutsche BA were slightly higher than last year's level.

On its scheduled services, BA carried 7.3m passengers in the third quarter, an increase of 7.4 per cent. Over the nine months, passenger numbers increased 7 per cent to 23.7m.

Premium traffic, travelling in Concorde, first or business class, rose 6 per cent in the quarter. BA said, however, that this was a smaller increase than in the previous three months, when premium traffic was up 11 per cent.

For all classes of scheduled flight passengers, yields fell by 0.2 per cent in the third quarter. Yields are the average amount paid by each passenger for each kilometre flown. The fall was the result of the slowdown in the growth of premium traffic, the negative effect of exchange rate movements and price competition.

The third quarter profits figure for the period ended December 31 brought nine month pre-tax profits to £443m, up 47.7 per cent from £300m in the 1993-94 period. Turnover for the third quarter increased 8.2 per cent to £1.66bn, bringing the nine-month figure to £5.28bn, up 9.3 per cent.

Doubling of raw material costs in six months blamed

British Polythene moves Telford output to China

By James Whittington

British Polythene Industries, Europe's largest polythene film producer, is to close its Alida Polysack plant at Telford, Shropshire, in May and shift half its output of plastic carrier bags to China.

Mr Cameron McLatchie, chairman and chief executive, said nearly half the plant's production of 25m bags a week would be shifted to a new facility at Xinhui in Guangdong province, along with Telford's plant and machinery. The rest would be taken up by existing facilities in the UK.

He said the plant had suffered from a doubling of raw material prices over the past six months along with pressure from retailers to cut prices.

Mr John Bunnell, managing director of the retail division, said the decision was taken last week after an unnamed large multiple retailer cancelled its account for polythene bags in favour of an Asian supplier. The order was equivalent to 25 per cent of the plant's turnover of £10m to £11m.

He said that while the loss of an account was nothing new it was combined with a rapid increase in the price of high density polyethylene, the basic polymer used in plastic bags, which had risen from £400 to £750 per tonne since August.

Alida Polysack was bought from Sonoco Products of the US, a rival plastic bag manufacturer, in March 1993 for £8.4m at about the same time that BPI was discussing opportunities of expanding into Asia.

The group had been in contact with China's High Point Corporation, a state-owned conglomerate, and eventually agreed to set up a joint venture company called Xinhui Alida Polythene to manufacture lightweight plastic bags.

Mr McLatchie said BPI was the first European investor to enter China's polymer film market and initial production of 15m bags a week would begin in April.

Under the £5.5m joint venture agreement BPI owns 60 per cent of the company, providing the expertise and technology, while High Point, with the remaining 40 per cent, provides buildings and help with China's bureaucracy.

LEX COMMENT

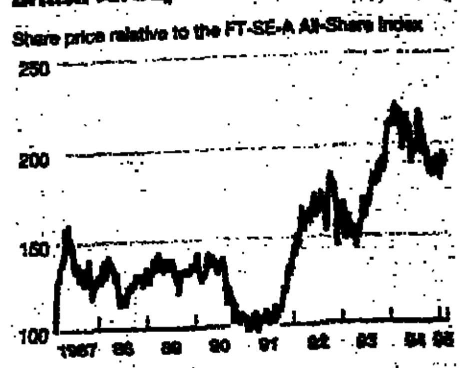
British Airways

British Airways' core business is a model of its kind. In spite of highly competitive operating conditions, third quarter pre-tax profits were yet again ahead of expectations. True, the results were flattered by low fuel costs, but the company continues to cut costs with extraordinary consistency. Since the Gulf war it has achieved annualised savings of £750m and is promising a further £150m next financial year.

BA's problem is that, though it is managing its core operations impressively, the group's record as a corporate investor is mixed. Qantas may be performing powerfully, but TAT in France and Deutsche BA are set to lose about £80m this financial year. USAir's performance is disastrous: it lost $649m last year and has failed to conclude cost-cutting negotiations with its unions despite 10 months of talks. BA may claim $100m worth of synergy benefits from its 22 per cent stake, but the chances are BA will be forced to write down its $400m investment day by day.

BA's shares trade at a 25 per cent discount to the UK market on a price/earnings basis. At this stage of the cycle the airline's earnings momentum must slow. Some sort of discount is appropriate, though probably not as large as this one: a small rerating may be justified. However, those looking to invest in European airlines may find Lufthansa and KLM better value. Both are cheaper than BA on cash flow multiples and arguably have greater scope to cut costs because they started later.

British Airways



Source: FT Graphite

Laura Ashley expects £35m charges in latest reorganisation

By Neil Buckley

Laura Ashley, the clothing and furnishings group, has launched another management reorganisation which will incur £35m ($55m) charges and 200 job losses.

The exceptional costs will take the company well into the red for the year to the end of January. Before the charges, analysts had been forecasting pre-tax profits of about £6m – compared with £3m profits on turnover of £300m in 1993-94.

It will be Laura Ashley's fourth loss after exceptionals since 1990. In the past four years the group has undergone almost constant reorganisation.

Mr Hugh Blakeway Webb, chairman, insisted the latest moves would lead to annual savings of £10m, returning Laura Ashley to "more satisfactory levels of profit".

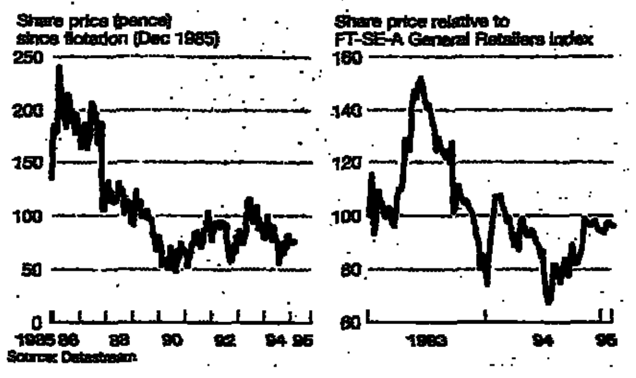
The reorganisation involves slimming down Laura Ashley's North American and continental European head offices in Boston, Massachusetts, and Eindhoven in the Netherlands, bringing those regions under the control of one worldwide headquarters in Berkshire.

Laura Ashley is making a "managed exit" from its small, lossmaking business in Australia, and plans to replace 40 smaller stores in the US with 20 larger ones. Manufacturing will be a stand-alone business.

Accounting changes, especially tougher treatment of depreciation, will account for £10m provisions and reduce the group's base profitability by about £3m.

Laura Ashley did provide some good news yesterday. In the eight weeks to Christmas, like-for-like sales increased 18 per cent in the UK and Ireland, 2 per cent in North America and 7 per cent in continental Europe.

Laura Ashley



Source: Datastream

BNP sells £1.5bn mortgage book

By Motoko Rich

Halifax Building Society has completed the purchase of the centralised lending business of Banque Nationale de Paris, acquiring £1.5bn ($2.34bn) in mortgage assets.

The acquisition, which amounts to about 0.5 per cent of the total UK mortgage market, was made by Halifax Loans, the society's wholly owned subsidiary. As a result, Halifax Loans' total mortgage assets will rise to £2.7bn.

This is the first time that Halifax, the UK's largest mortgage lender, has acquired a centralised lender. It plans to use the business, which will be called Halifax Mortgage Services, to address the introducer market – business gained through mortgage brokers – and offer products distinct from those available through its branch offices.

The purchase follows the purchase by Abbey National, the UK's second-largest mortgage lender, of Household Mortgage Corporation to develop a separate channel for distribution.

Halifax said it would honour the terms and conditions of existing BNP borrowers. BNP customers on the standard variable rate pay a different rate than Halifax customers. Halifax's current rate is 8.35 per cent, while BNP's rate is 8.47. Before last week's UK interest rate rise, BNP's rate was 7.97 per cent and the Halifax rate was 8.1 per cent.

"We are not saying we will never bring the rates in line but from day one we won't," said Mr Colin Duggleby, managing director, Halifax Loans.

Bodycote considers EHCO-KLM disposal

Bodycote International is in talks which might lead to the disposal of its 56.74 per cent stake in EHCO-KLM for Fl 43 a share, valuing the holding at Fl 25m, writes Peter Pearse.

EHCO makes career apparel and personal protective clothing, including special project clothing and military uniforms. Its sale will reduce Bodycote's operations to metal technology and packaging.

Bodycote floated the minority stake on the Amsterdam market eight years ago. The shares were suspended at Fl 36.

Mr Joe Dwek, chairman, said he had had several approaches – all Dutch – but that Koninklijke Borsumij Wehry, a trading company based in the Hague, made the "best approach".

JBA sales rise

JBA Holdings, the software company, saw sales in 1994 grow to more than £90m, overtaking the 1993 figure of £74.5m, writes Motoko Rich.

Mr Alan Vickery, chairman, is due to give the information today at the JBA 1995 software show in Stratford-upon-Avon. He will also say that sales at the company's North American subsidiaries grew by more than 50 per cent, and that the company invested about £15m in product development during 1994, against £11m in 1993.

Division Group

Division, the Bristol-based virtual reality computer technology group, yesterday reported pre-tax losses of £1.44m on turnover of £5.27m for the year to end-October.

The outcome, which compared with a pre-tax deficit of £503,000 on turnover of £2.08m last time, was in line with the forecast issued at the time of the rights issue in November.

During the year Division established a strategic alliance with Hewlett-Packard, the second-largest computer manufacturer in the US. This alliance provided the group with access to a world-wide market base of potential users in one of its prime markets.

A Fisher expansion

Albert Fisher, the food processing and distribution group, is participating in the management buy-out of Aqua Star, a wholly owned subsidiary of BP Nutrition, to create a business with net assets of $9m.

Fisher is to invest $5.4m into a new partnership together with an investment of net assets of $3.6m by the management of Aqua Star.

The partnership represents a significant expansion of Albert Fisher's seafood operations into the US. Aqua Star, based in Seattle, imports, processes and distributes salmon, shrimps and shellfish in the US.

Aqua Star, which had sales of $151m and operating profits of $3.3m for the year to December 31, was one of the last remaining nutrition businesses still to be sold.

The new business will have bank borrowings of $22m.

Volex purchase

Volex Group is paying S$16.7m acquire the remaining 25 per cent of Mayor, its Singapore-based cable assemblies subsidiary, from Mr Jay Pok, the former owner.

Consideration will be satisfied by the payment of S$8.2m in cash and the issue of 1m Volex shares. These are being placed at 369p per share.

Fund desertions hit Henderson

By Norma Cohen, Investments Correspondent

Henderson Administration, the UK-based fund management group, yesterday issued a profits warning, saying that mediocre investment performance had led to "significant" desertions of key pension fund clients.

The company declined to be drawn on the extent of the funds outflow, but analysts estimate that nearly £2bn ($3.12bn) of Henderson's £5.3bn in pension assets as of its last financial year end on March 31 1994 could have gone. Pre-tax profits for the year are likely to be below the £20.3m in 1994. Its shares closed 63p lower at £10.13p.

Separately, Mr Jeremy Edwards, long-time managing director at Henderson, said he may retire as soon as a successor is found, rather than wait until the end of 1996 as originally planned. He had been joint managing director from 1980 and managing director since 1989.

"If we find my successor, I may well step aside," Mr Edwards said, adding that the search, which has been going on since last year, is "well under way."

Pension consultants say that Henderson's difficulties are symptomatic of the increasingly competitive environment for fund management in the UK. As pension scheme surpluses erode, companies are increasingly seeking high investment returns to offset the need for corporate contributions.

Henderson has been fighting an outflow of pension clients due to poor performance for several years. Despite several changes of fund managers, investment returns over three and five years are just straddling the median. "If you haven't got above-median results for three or five years, you are out of the frame", Mr Jeremy Edwards, the group's managing director, said. Results for 1994 would be "only marginally" below the industry median, he said.

Saatchi damages hold-up

By Diane Summers, Marketing Correspondent

A $50m damages claim by Saatchi & Saatchi, the turbulent advertising group, against the former chief executive of its North American advertising network has been held up in the US courts, pending the outcome of UK legal action.

Judge Herman Cahn ruled in the supreme court of the State of New York yesterday that the case against Mr Bill Muirhead could be heard in the US, but should follow separate proceedings against him and other former Saatchi executives due to start in the High Court in London tomorrow

Management buys Crompton Lighting

By Motoko Rich

A management team from Crompton Lighting has paid £24.2m ($37.8m) to buy the UK lighting business and its distribution companies in Australia and New Zealand from BTR, the industrial conglomerate.

A three-man buy-out team led by Mr Graeme Brook, Crompton's chief executive, raised £26.2m for the purchase, of which BTR will retain about £2m in cash.

3i, the venture capital group, provided £13m, and the Bank of Scotland in Leeds provided £14.5m in senior debt facilities.

Crompton, which was bought by BTR in 1991, employs 500 people and had sales of £32m in 1994, of which its Australian and New Zealand marketing and distribution offshoots accounted for some 20 per cent.

The company was part of BTR's control and electrical systems operations, a sector which made a pre-tax profit of £214m on turnover of £1.08bn in 1993.

CMG to delay plans for listing

By Alan Cane

Computer Management Group, one of Europe's largest privately held computing services companies, is to delay plans to seek a Stock Exchange listing because of poor market sentiment.

Mr Douglas Gorman, chairman, said disappointing results from computing services companies in recent weeks had damaged market confidence in the sector.

"In these circumstances, we have decided not to float in spring 1995. However, with a solid 30-year trading record behind us, this decision, taken in conjunction with our financial advisers, does not hinder our business plans for 1995 and we continue to keep all future options open".

CMG's financial adviser is Kleinwort Benson. The decision to delay setting a date for flotation follows a string of poor results and profits warnings from companies which have come to market over the past two years.

In the most dramatic case, McDonnell Information Systems, a services company with a sound financial track record prior to flotation, has issued two profits warnings in four months.

Companies say they are still trying to cut prices and sell capacity

Generators promise dividend rises

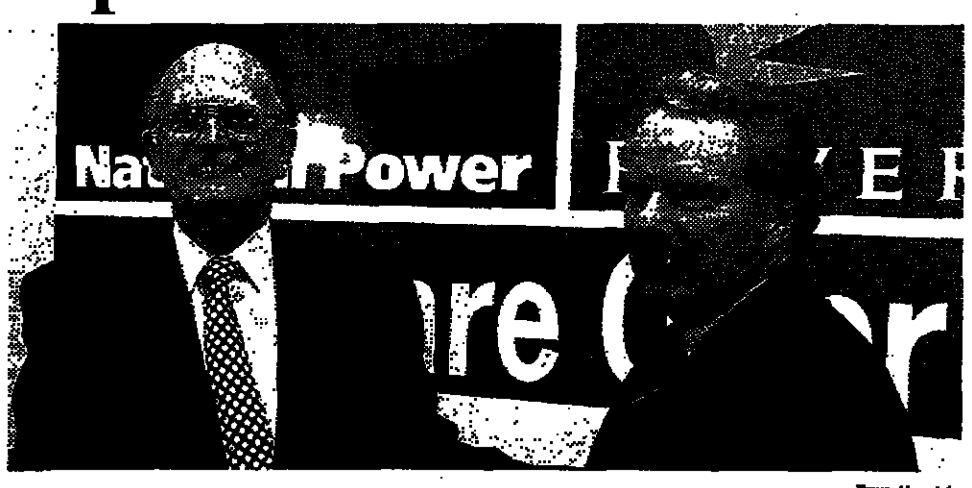
By David Lascelles

National Power and PowerGen are promising strong dividend increases ahead of the sale of the government's 40 per cent stake in each company this month.

According to the pathfinder prospectus, issued yesterday, National Power expects to raise its dividend by 24 per cent this year, and PowerGen by 18 per cent. All investors who buy shares in the sale will qualify for dividends, even though they will only have to pay for their shares in instalments.

The strong increases reflect the fact that both National Power and PowerGen will be buying back up to 8 per cent of their own shares in the sale, so the total available for dividends will be spread among fewer shares. However, the two generation companies also have a policy of reducing dividend cover.

The prospectus also highlights the uncertainty they face from the risk of referral to the Monopolies and Mergers Commission by Professor Stephen Littlechild, the industry regulator, over their undertakings to keep electricity prices down and sell off a portion of their capacity. Prices have soared recently, and neither of the generators has sold any plant.



Trevor Humphries

John Baker, left, and Ed Wallis: believe that the chances of a monopolies referral are remote

Prof Littlechild will be considering these issues to see whether a monopoly inquiry is called for.

The two companies state in the prospectus that they are still trying to meet these commitments, but events are not totally within their control. Mr John Baker, National Power's chief executive, and Mr Ed Wallis, his counterpart at PowerGen, said yesterday that the chances of a referral seemed remote.

The government will retain a special share in each company, giving it power to veto a takeover. The deadline for private investors to register for the sale with a share shop is February 14, ahead of the issue launch on February 16. Applications must be in by noon on March 1.

Pricing and the basis of allocation will be announced on March 6 and trading in the new shares will begin the same day.

The minimum investment will be 200 shares, comprising 120 National Power and 80 PowerGen. This implies a minimum cost of about £1,000 ($1,560), of which £352 will be payable on application.

The timetable for the international tender offer that will run in parallel for institutional investors will have a bid deadline of March 3. This will determine the price of the sale, and the UK public offer will be priced at a discount to this.

Payment will be in three instalments timed to fall in different tax years: the first is due on application, the second on February 6 1996 and the third on September 17 1996.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
British Airways	9 mths to Dec 31	5,280	(4,832)	443	(300)	34.8	(28.4)	-	-	-	-	11.1
Division	Yr to Oct 31	2.08	(5.27)	1.44L	(0.5L)	4.3L	(2.1L)	-	-	-	-	-
Trencherwood §	Yr to Oct 31	23.3	(15.3)	2.11	(1.84♦)	2.55	(3.45)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
French Property	Yr to Dec 31	87.34	(97.34)	0.37	(0.448)	1.48	(1.79)	1.45	Apr 28	1.4	1.45	1.4
US Smaller Cos	6 mths to Dec 31	155.3	(158.6)	0.142	(0.197)	0.29	(0.4)	-	-	-	-	0.5

Dividends shown net. Figures in brackets are for corresponding period. §USM stock. ♦After exceptional credit.

COMMODITIES AND AGRICULTURE

Wave of selling takes LME prices for dive

By Kenneth Gooding, Mining Correspondent

Prices on the London Metal Exchange in early trading yesterday plunged under pressure from a fresh wave of selling by speculators and investment funds.

Some bargain hunting helped to steady the markets by the close in London but all the metals were still showing substantial price falls. Nickel and lead were hardest hit, each ending more than 8 per cent down. The LME's two most heavily-traded metals, aluminium and copper, fell by 3.8 per cent and 2.29 per cent respectively.

Many analysts suggested that metal prices had risen too far too fast and were in need of a correction before moving up again more steadily.

"This was a corrective move rather than a change of direction," said Mr Angus MacMillan, research manager at Billiton Metals, part of the Gencor group. Physical demand for all the LME metals was very strong and economic recovery in Europe and Japan was more than compensating for slowing growth in the US.

However, Mr Nick Moore, analyst at Ord Minnett, an associate of Jardine Fleming, insisted that, while the price fall was "a much needed dose of sobriety," it was not just a correction but "a de-rating of metal prices." He suggested that prices might fall by 20 to 30 per cent from the peaks they reached in mid-January. But this would still be very profitable for metals producers.

Last night in London copper for delivery in three months closed 8.76 per cent below the 5¾ year peak of US$3,081 a tonne it touched last month; aluminium was 6.87 per cent below its 5¾ high of $2,195 a tonne; while nickel was 15.28 per cent below its 5½ year peak. Mr Jim Lennon, analyst at Macquarie Equities, part of the Australian banking group, said the sell-off seemed to have been started by Friday's US employment statistics which were seen as indicating that US economic growth was slowing and that a bond market rally was imminent.

■ Other commodity markets were also battered by fund and speculator selling. However, in contrast, oil prices hit new highs for the year yesterday in a rally sustained by the first cold snap of the northern hemisphere winter to hit the US. "Forecasts for the next fortnight indicate temperatures well below the norm and that's good for heating oil demand," Mr Peter Gignoux at brokers Smith Barney in London told Reuters.

World benchmark North Sea Brent Blend crude futures for March delivery by early-afternoon reached a high of $17.35 a barrel, a 15 cent increase on top of Friday's late gains. Prices later retraced a little to $17.25 but were still at the highest level since the end of November.

Growth in sea rigs predicted

By Karen Fossli in Oslo

The North Sea rig market will experience an upturn in 1995 after a two-year lull, led by increased demand to accommodate greater activity in the UK sector, according to a report by Wood Mackenzie, the Edinburgh-based energy consultant.

Activity will pick up more slowly in Norway, however, as usage becomes constrained by a limited supply of suitable rigs. WoodMac foresees utilisation rates for semi-submersible rigs approaching 100 per cent by summer and averaging around 90 per cent for the year. North Sea demand for semi-submersibles is expected to increase by 28 per cent in 1995.

Canadian drill site dispute

By Bernard Simon in Toronto

A group of aboriginal Canadians has demanded the eviction of Vancouver-based Diamond Fields Resources from a promising nickel and copper exploration site at Voisey Bay, Labrador.

Members of a local Innu community, which claims jurisdiction over the area, disrupted work at the site over the weekend, and are now in a stand-off with police. Diamond Fields and its partner Archean Resources said that they plan to apply for a legal injunction. Diamond Fields released new drilling results yesterday from Voisey's eastern section which it said pointed to higher grades than previous samples from the western end.

Trying for a soft landing in Geneva

Kieran Cooke reports as natural rubber prices hit a 40-year peak

Asia's stock markets are in the doldrums but the region's commodity traders have rarely been busier. Palm oil and tin markets are bullish, but the sector's star performer is rubber. The price of natural rubber has risen by nearly 40 per cent during the past year to stand near levels not seen since the early 1950s.

Whether or not the present prices are sustainable is not just a matter of debate among commodity brokers. Arguments over pricing are also likely to dominate a meeting of natural rubber producers and consumers in Geneva this week.

The talks, which began yesterday, are being held to finalise details of a new international natural rubber agreement (Inra), the world's only surviving international commodity pact.

Inra seeks to stabilise the market through buffer stock operations, with prices of natural rubber allowed to swing moderately within a fixed range, centred on a reference price. The reference price determines when the buffer stock manager can intervene in the market to boost or cool down prices.

Producer countries, led by Thailand, Indonesia and Malaysia, which together produce more than 70 per cent of the world's natural rubber, argue that the reference price must be raised in order to reflect the recent surge in prices.

Consumer countries, backed up by the big tyre companies, say the price increases are only a temporary phenomenon and should not be used to establish higher prices over the long term.

Producer countries want at least a 5 per cent rise in the reference price, arguing that it has remained virtually unchanged since the late 1970s. They warn that if this is not achieved, Inra could collapse, leading to increased market speculation and price volatility.

"Producers are keen on signing a new agreement but it won't be at all costs," says Mr Ng Kok Tee, deputy chairman of the Malaysian rubber exchange licensing board. "The present market trend is a clear indication that the reference price should be raised. Consumers have always said that market trends should dictate events. They should now abide by what they have said."

In September 1993 the international natural rubber organisation's five-day moving average stood at an eight-year low of 156.31 Malaysian/Singapore cents a kilogram. By early 1994 prices had risen to 171.66 Malaysian/Singapore cents a kilogram. The five-day moving average price is now more than 350 Malaysia/Singapore cents a kilogram.

Traders say that bulk purchases by China from July 1994 onward have been the main reason for the price surge. Traders estimate that China's 1994 natural rubber imports were up more than 50 per cent on the previous year.

Consumers argue that Chinese buying will not be sustained; they also say that speculators have been heavily involved in the market. In some cases there have been defaults on contracts and unless conditions calm down, a sudden plunge in prices is possible.

Consumers point to a number of factors likely to sustain present price levels. They say that demand from overseas buyers, particularly in Europe and Japan, remains strong in spite of the high prices. The fall-off in production in south-east Asia, caused by the present "wintering" of rubber trees, means that supplies will remain tight.

Further supply cutbacks could be caused by flooding in rubber growing areas of Indonesia, the world's second biggest producer after Thailand. A stockpile of about 220,000 tonnes of natural rubber held by the buffer stock manager has been exhausted in the fight to stabilise prices: market forces and not the activities of the buffer stock manager are now controlling prices.

More broadly, the producers point to the restructuring of south-east Asia's economies. The economies of Malaysia and Thailand are industrialising fast and are no longer as dependent as they once were on natural rubber and other commodities. Many Malaysian rubber farmers have either sold off their land for industrial development or have been forced to abandon production due to labour shortages. Low prices in the early 1990s also encouraged a switch to the more profitable palm oil.

Malaysia's natural rubber output has been steadily falling: from 1.66m tonnes in 1988 to 1.1m tonnes in 1993 and an estimated 1.02m tonnes last year. Smallholders, who account for about 70 per cent of Malaysia's total production, show few signs of rushing to increase output.

Mr Mohamad Nor Maidin, the secretary general of Malaysia's national association of smallholders, says recent price increases have led to only marginal growth in output.

But while consumer countries at Geneva are likely to have these arguments forcefully presented to them, producer countries are loath to abandon attempts to form another Inra. They realise that big price swings which could be the result of a free rubber market would hurt producers just as much as consumers.

Producer countries have also been making substantial investments to develop downstream rubber processing industries. Malaysia is now both rubber exporter and importer – a producer and a consumer. In the first seven months of 1994 Malaysian natural rubber imports increased by more than 50 per cent compared with the same period in the previous year. "The end of Inra has been threatened many times," says a Singapore-based rubber trader. "Each time both sides pull back from the brink. The same thing will probably happen again."

Call for new green scheme to boost world crop yield

By Deborah Hargreaves

The world urgently needs another green revolution to give a dramatic boost to crop yields if it is to feed the growing population over the next 10 years, according to Mr Ismail Serageldin, chairman of the Consultative Group on International Agricultural Research, sponsored by the World Bank.

At a meeting in Lucerne on Thursday with government ministers and research agencies from around the world, the CGIAR will argue for a more co-ordinated approach to agricultural research to try to combat world hunger. It will also try to agree an international agenda for priority issues.

"There is an unwarranted complacency about the future food situation, because most countries have abundant food supplies now," Mr Serageldin said.

But he points out that 700m people are still hungry and the world's population is set to grow at a rate of 85m people every year for the next 20 years. The CGIAR spends $272m a year on research which it says is a very small portion of most countries' overall aid budgets.

Although Mr Serageldin is wary of calling for more funding at a time when international agencies such as the World Bank are being criticised for excess spending, he points to the importance of maintaining current levels of expenditure.

Mr Serageldin says the next farm revolution needs to be "doubly green" to take into account environmental considerations as well as the need to boost crop yields. India's green revolution in the 1960s and 1970s placed a heavy emphasis on wide scale use of fertilisers to increase yields.

But farm researchers are now looking at ways of improving crop breeds so that they require fewer resources and lower applications of chemicals and pesticides.

The CGIAR which is supported by 40 donor countries, wants to play a greater role in disseminating agricultural research information. "We are in a race with time, to develop the appropriate technology," said Mr Serageldin.

Demand increasing faster than yields

Crops	Demand for food* Today	Demand for food* % change 20 years	Yields† Today	Yields† % change 20 years
Bananas	37,176	+ 46.7	11.1	+14.2
Barley	31,554	+ 79.2	1.3	+22.4
Cassava	129,011	+ 39.5	9.7	+16.7
Food legumes	31,275	+ 32.1	0.7	+13.2
Maize	142,601	+115.0	2.6	+72.1
Millet	23,524	+ 28.1	0.7	+12.4
Plantains	26,937	+ 29.4	5.7	-12.9
Potatoes	49,523	+115.2	12.7	+24.6
Rice	314,125	+ 71.1	3.5	+52.0
Sorghum	42,630	+ 54.4	1.1	+18.3
Sweet potatoes	42,169	+ 36.7	13.5	+20.4
Wheat	188,445	+ 97.3	2.4	+96.1

* In 000 metric tonnes † metric tonnes/hectare

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	2000-1	2043-5
Previous	2084-5	2125-6
High/low		2070/2042
AM Official	2015-6	2058-60
Kerb close		2050-1
Open int.	229,344	
Total daily turnover	73,916	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1955-60	1995-2000
Previous	1990-2000	2030-40
High/low	1995/1980	
AM Official	1940-50	1985-90
Kerb close		1985-95
Open int.	2,676	
Total daily turnover	586	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	556.5-7.5	579-7
Previous	616.5-7.5	592-3
High/low		607/589
AM Official	559-60	579-9.5
Kerb close		586-7
Open int.	37,951	
Total daily turnover	12,894	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8735-45	8890-900
Previous	9550-60	9695-705
High/low		9210/8700
AM Official	8745-50	8890-900
Kerb close		8885-905
Open int.	57,253	
Total daily turnover	20,386	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5490-500	5580-90
Previous	5600-10	5695-700
High/low		5675/5525
AM Official	5490-500	5590-600
Kerb close		5580-70
Open int.	22,600	
Total daily turnover	5,865	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1026-7	1053-4
Previous	1105.5-6.5	1132-3
High/low		1105/1035
AM Official	1023-4	1050-1
Kerb close		1056-8
Open int.	100,621	
Total daily turnover	45,496	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2818-9	2914-5
Previous	2883.5-4.5	2980-1
High/low	2810/2809	2945/2780
AM Official	2809.5-10	2905.5-6.5
Kerb close		2811-2
Open int.	233,917	
Total daily turnover	79,230	

■ LME AM Official £/$ rate: 1.5587

LME Closing £/$ rate: 1.5593

Spot: 1.5605 3 mths: 1.5587 6 mths: 1.5554 9 mths: 1.5539

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
Feb	132.50	+0.20	132.50	128.00	1,713	347
Mar	131.80	+0.55	132.10	128.00	25,945	10,553
Apr	130.80	+0.75	128.40	128.00	1,067	46
May	130.00	+0.75	130.10	126.40	7,352	2,335
Jun	128.35	+0.90	125.70	124.50	875	25
Jul	126.60	+0.95	127.50	123.00	4,243	431
Total					48,731	14,158

PRECIOUS METALS

LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz)	$ price	£ equiv.
Close	$374.80-375.20	
Opening	$375.00-375.40	
Morning fix	375.25	240.406
Afternoon fix	374.50	240.449
Day's High	375.90-376.20	
Day's Low	374.50-374.90	
Previous close	[illegible]	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.58	6 months	5.42
2 months	4.86	12 months	5.90
3 months	4.99		

Silver Fix	p/troy oz.	US cts equiv.
Spot	300.45	469.50
3 months	305.35	476.95
6 months	310.80	483.80
1 year	323.20	501.40

Gold Coins	$ price	£ equiv.
Krugerrand	375-379	241-244
Maple Leaf	385.35-387.75	
New Sovereign	88-91	56-59

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Feb	376.3	-0.5	376.8	375.0	2,196	1,128
Mar	376.9	-0.5	-	-	2	-
Apr	378.3	-0.5	378.8	377.0	[illegible]	[illegible]
Jun	381.7	-0.6	382.0	380.3	[illegible]	[illegible]
Aug	385.5	-0.6	-	-	[illegible]	[illegible]
Oct	389.4	-0.6	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Apr	412.8	-1.2	414.0	411.0	[illegible]	[illegible]
Jul	416.0	-1.6	418.5	414.5	[illegible]	[illegible]
Oct	420.0	-1.6	420.5	420.5	[illegible]	[illegible]
Jan	423.7	-1.6	-	-	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Mar	158.95	+0.25	159.00	158.00	[illegible]	[illegible]
Jun	160.45	+0.15	161.00	159.50	[illegible]	[illegible]
Sep	161.75	+0.15	-	-	[illegible]	-
Dec	162.75	+0.15	-	-	[illegible]	-
Total					[illegible]	[illegible]

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	-	-	-	-
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	-	-	[illegible]	[illegible]
Total					[illegible]	[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	20,721
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5,981
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3,139
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,585
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	785
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	620
Total					[illegible]	36,248

■ UNLEADED GASOLINE NYMEX (42,000 US gals.; c/US gals.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11,676
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7,041
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5,782
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,111
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	602
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	280
Total					[illegible]	26,917

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	108.75	+0.35	108.75	108.50	1,240	16
May	110.45	+0.25	110.30	110.30	1,873	1
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	[illegible]	-	-	[illegible]	-
May	[illegible]	[illegible]	-	-	[illegible]	-
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	-	-	[illegible]	-
Total					[illegible]	[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	-	-	-	-	-
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	-	-	-	[illegible]	-
Jun	[illegible]	-	-	-	[illegible]	-
Total					[illegible]	[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Close	Prev	High	Low	Open int	Vol
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

	Close	Prev
BFI	[illegible]	[illegible]

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	992	-16	1007	991	32,835	2,150
May	991	-16	1007	980	20,290	1,293
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Feb. 3	[illegible]	[illegible]
Daily	[illegible]	[illegible]

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,831
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2,102
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	206
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Total					[illegible]	4,158

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6,184
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2,036
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	366
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	192
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	103
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2
Total					[illegible]	8,863

■ COFFEE (ICO) (US cents/pound)

	Price	Prev. day
Feb. 3	[illegible]	[illegible]
Comp. daily	[illegible]	145.45
15 day average	[illegible]	131.09

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	[illegible]	-	-	[illegible]	-
May	[illegible]	[illegible]	-	-	[illegible]	-
Jul	[illegible]	-	-	-	[illegible]	-
Oct	[illegible]	-	-	-	-	-
Jan	[illegible]	-	-	-	-	-
Total					[illegible]	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2,316
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,502
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	619
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	676
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	106
Total					[illegible]	5,233

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8,993
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5,852
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2,813
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2,742
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2,283
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	359
Total					[illegible]	22,959

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7,107
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3,678
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2,530
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	387
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	912
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	55
Total					[illegible]	14,671

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	105.50	+0.50	105.70	100.50	16,368	2,384
May	109.50	+0.30	109.50	105.25	4,260	948
Jul	113.50	-0.25	113.50	109.50	1,157	76
Sep	116.50	-0.25	116.50	115.00	2,800	108
Nov	114.50	-0.25	113.75	113.75	2,025	27
Jan	116.00	-0.25	-	-	992	99
Total					27,810	3,898

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

Tea

There was an improved demand, reports the Tea Brokers' Association. The small quantity of Assams on offer met good competition at firm to dearer rates. Brightest east Africans advanced but lighter liquoring teas were irregular and on balance slightly easier. Coloury mediums were a good feature and prices gained several pence, while lesser mediums tended 1 to 2 pence lower. Ceylons were generally dearer particularly brighter types. Offshore: good demand. Ceylons appreciated, while Africans remained firm. Quotations: best available 150p/kg, good 122p/kg, good medium 114p/kg, medium 91p/kg, low medium 85p/kg. The highest price realised this week was 151p/kg for a Kenya pf.1.

INDICES

■ REUTERS (Base: 18/9/31=100)

Feb 6	Feb 3	month ago	year ago
2245.4	2266.0	2257.9	1778.1

■ CRB Futures (Base: 1967=100)

Feb 3	Feb 2	month ago	year ago
232.29	233.31	235.24	228.24

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	73.800	+0.175	73.875	73.300	15,882	3,656
Apr	73.975	+0.475	74.100	73.275	41,049	8,629
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	43.825	-0.075	44.000	43.550	1,792	163
Oct	41.050	-0.050	41.300	41.025	2,334	202
Dec	41.950	+0.100	41.975	41.800	2,161	226
Total					32,848	8,558

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	41.875	-0.250	42.775	41.100	1,881	1,056
Mar	42.050	-0.425	43.100	41.450	3,539	1,456
May	43.000	-0.375	44.000	42.300	2,249	338
Jul	44.000	-0.325	44.800	43.425	1,359	78
Aug	41.525	-0.525	42.200	41.300	314	51
Feb	52.000	-	-	51.900	52	3
Total					9,403	2,982

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
1900	172	-	31	-
2000	108	169	66	115
2100	62	123	119	166
■ COPPER (Grade A) LME	Apr	Jul	Apr	Jul
2700	171	147	40	98
2800	109	101	77	149
2900	64	68	131	212
■ COFFEE LCE	Mar	May	Mar	May
2700	43	131	73	221
2750	26	115	106	255
2800	18	101	146	291
■ COCOA LCE	Mar	May	Mar	May
975	26	54	9	38
1000	12	42	20	51
1025	5	32	38	66
■ BRENT CRUDE IPE	Apr	Jul	Apr	Jul
1600	92	109	20	59
1650	64	85	38	85
1700	36	63	65	113

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Mar)

		+or-
Dubai	$16.33-6.39t	-0.24
Brent Blend (dated)	$16.97-6.99	-0.23
Brent Blend (Mar)	$17.04-7.06	-0.11
W.T.I. (1pm est)	$18.41-8.43t	-0.32

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$158-160	
Gas Oil	$151-152	+3.0
Heavy Fuel Oil	$101-102	+1.0
Naphtha	$164-166	+1.0
Jet fuel	$166-168	+3.5
Diesel	$154-156	+3.0

Petroleum Argus. Tel. London (071) 359 8792

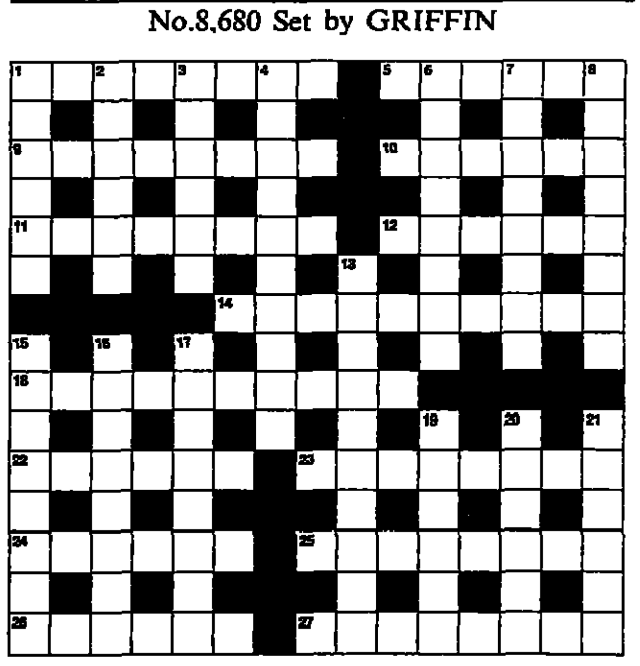
■ OTHER

Gold (per troy oz)♣	$375.00	-0.90
Silver (per troy oz)♣	467.50c	-1.00
Platinum (per troy oz.)	$413.50	-0.50
Palladium (per troy oz.)	$157.50	+0.50
Copper (US prod.)	139.00c	
Lead (US prod.)	42.25c	
Tin (Kuala Lumpur)	14.50m	-0.17
Tin (New York)	262.50c	-3.00
Cattle (live weight)†	119.45p	+1.79*
Sheep (live weight)†♠	121.61p	+2.70*
Pigs (live weight)	87.54p	+5.51*
Lon. day sugar (raw)	$351.4	-1.9
Lon. day sugar (wte)	$399.7	-1.0
Tate & Lyle export	£339.0	
Barley (Eng. feed)	£110.0	
Maize (US No3 Yellow)	£141.0	
Wheat (US Dark North)	£165.0	
Rubber (Mar)♥	123.0p	+2.5
Rubber (Apr)♥	123.5p	+2.5
Rubber (KL RSS No1)	455.0m	+3.5
Coconut Oil (Phil)§	$630.0y	+5.0
Palm Oil (Malay.)§	$940.0t	+2.5
Copra (Phil)§	$403.0y	+6.0
Soyabeans (US)	£166.0q	+1.0
Cotton Outlook 'A' Index	96.75c	-1.00
Wooltops (64s Super)	496p	-4

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. t Mar. y Mar/Apr. q Feb/Apr ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week ◎ Prices are for previous day.

CROSSWORD

No.8,680 Set by GRIFFIN



ACROSS

1 Accountant consumed a banger and a biscuit (8)
5 Man half decapitated by snooker ball (6)
9 In the wings, perhaps, with bad leg (8)
10 Attempts to get 75% less without authority (6)
11 Garment I designed for one moving abroad (8)
12 We continue to reverse Beetle (6)
14 A regulator to watch (10)
18 Way athlete gets the bird (10)
22 Toast with topping and a pecan pie (6)
23 Not manufactured overseas, it's plain (4-4)
24 Sell 50% more on train (6)
25 Soldiers going to channel resort (8)
26 Respectable skinhead leaves a drop (6)
27 'Tis appropriate of thee to get furtive! (8)

DOWN

1 Suggested doctor voted against leaving (6)
2 First consignment leaving in stiff container (6)
3 Sharp reply from awful rotter (6)
4 Making arrangements for harmonium one has to croon (10)
6 Radio fan set out in vessel (8)
7 Back survey's description of motorist's mirror? (4-4)
8 Does turn dead miserable (8)
13 Meal ruined by one less violent but malicious (10)
15 Having kipper to pierce poker is picked up (8)
16 Attractive tinge new in rainwear (8)
17 Travelling into Peru is rash (8)
19 Hat a fellow travelled in should be raised (6)
20 Vehicle going up hill needs inducement (6)
21 "Married in a rush last May" is put right (6)

Solution to Saturday's prize puzzle on Saturday February 18.
Solution to yesterday's prize puzzle on Monday February 20.

INTERNATIONAL CAPITAL MARKETS

Good reception for $400m IFC issue

By Martin Brice

The euromarkets yesterday saw the biggest dollar bond issue since the rise in US interest rates last week, with the International Finance Corporation, the World Bank affiliate, raising $400m.

INTERNATIONAL BONDS

Syndicates also saw a three-tranche deal from the Bank Nederlandse Gemeenten aimed at different investor bases, and an offering from Volvo which lead manager Dresdner Bank put into syndicate without the fixed re-offer price mechanism.

The IFC 10-year bonds came at 27 basis points over the comparable Treasury via SBC and BZW, which said the deal had a good reception from central banks and UK fund managers. The last dollar fixed-rate issue in the 10-year sector was the callable from Fannie Mae on January 17. Some of the IFC bonds were being held back for overnight sales into Japan, said BZW.

The three-tranche deal from BNG was the first from ABN Amro Hoare Govett after its renaming, and involved bonds of $250m, SFr150m and Fl 500m, all at the 10-year maturity. The proceeds were swapped into fixed-rate guilders.

In spite of the same maturity, ABN said there was no overlap between investors targeted by the different issues.

The Fl 500m deal was aimed at Dutch and Benelux retail investors, while the SFr150m offering was targeted at Swiss institutions. The $250m of bonds, which came at 30 basis points over the comparable Treasury, received a good reception in Hong Kong, Tokyo and the Middle East.

Volvo Finance Corporation, which is unrated, brought its first D-Mark deal when it raised DM250m with a five-year offering priced at 55 basis points over the comparable bund. Lead manager Dresdner Bank said it had bought back just DM15m of bonds.

Nippon Telegraph and Telephone, which is rated AAA, raised DM400m with 10-year bonds via Paribas and Deutsche Bank, which said it had bought none back from syndicates. The bonds were brought at 15 basis points over the comparable bund.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Intl. Finance Corp	400	(a)	(a)	Feb.2005	0.325	(a)	BZW / SBC
BNG	250	7.875	99.41R	Mar.2005	0.325R	+30(Wi 10yr)	ABN Amro Bank
YEN							
DSL★	10bn	4.45	99.888R	Mar 2002	Undisc	-	Sakura Finance
D-MARKS							
NTT	400	7.125	99.90R	Mar.2000	0.25R	+15 (7⅛%-99)	Deutsche Bk. / Paribas
Volvo Corp. Finance	250	7.50	102.00	Mar 2000	2.50	+55 (7⅛%-99)	Dresdner Bank
SWISS FRANCS							
OKB	300	5.375	102.80	Mar.2000	-	-	Swiss Bank Corp.
BNG	150	6.375	102.25	Mar.2005	2.75	-	ABN Amro Hoare Govett
GUILDERS							
BNG	500	7.75	99.45R	Mar.2005	0.325R	+23 (7¼%-05)	ABN Amro Bank
ESCUDOS							
Credit Local de France‡★	15bn	(b)	100.35	Mar.2000	-	-	BPI

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) To be priced today. b) pays 6 month Libor -0.0625.

High-yielding European trio gains ground

By Graham Bowley in London and Lisa Bransten in New York

The high-yielding government bond markets of Italy, Spain and Sweden rose yesterday, as other European markets traded lower.

Bond prices in Italy, Spain and Sweden moved higher and yield spreads over German bunds narrowed as markets stabilised and budget and political concerns receded.

The yield spread on Italian government bonds narrowed to 478 basis points over German bunds from 488 basis points on Friday.

In Spain, the spread narrowed to 430 to 415 basis points over bunds.

"People are becoming more comfortable about going into these markets to pick up extra yield," said Mr Michael Pratten, senior bond strategist at PaineWebber.

■ Other markets pushed higher early in the session on the back of gains in the US Treasury market on Friday.

However, prices then drifted lower as dealers took profits and US Treasuries opened weaker. Concerns over supply also weighed on markets.

"People are still concerned about European markets and about where German interest rates are going," said Mr Sanjay Joshi, chief economist at Daiwa.

■ German government bonds fell, with the March futures contract on Liffe back to 90.49 in late trading, down 0.06 point compared with Friday's close.

The prospect of further supply at tomorrow's auction of government bonds caused some anxiety, dealers said. Details of the auction are expected today.

Lack of progress on wage talks in Germany also caused concern, traders said.

"This negative background of further supply and no progress on the wage talks held prices back," said Mr Adrian Owens, European economist at Yamaichi.

GOVERNMENT BONDS

■ French government bonds rose in thin trading volumes, supported by the strength of the French franc.

They outperformed the German market, with the March notional bond contract on Matif settling up 0.28 point, at 111.98 and the yield spread over bunds narrowing to about 60 basis points.

■ Gilts ended the day flat, plagued by worries over weakness of the government.

"Sterling was put under pressure, which meant that sterling assets underperformed," said Mr Joshi.

Attention today will be on industrial production figures which economists are expecting to a show a rebound in production in December after falling in November.

In late trading, the long gilt future was up $\frac{1}{32}$ at 101$\frac{27}{32}$.

■ US Treasury prices were modestly lower yesterday morning as investors took profits from Friday's soaring market and prepared for the sale of $40bn in new securities later this week.

At midday the benchmark 30-year Treasury was down $\frac{5}{32}$ at 98$\frac{1}{32}$ to yield 7.638 per cent. At the short end, the two-year note fell $\frac{1}{32}$ to 100$\frac{25}{32}$ yielding 7.155 per cent.

There was profit-taking on yesterday's markets in the wake of Friday's buying spree that saw the long bond gain more than 1¼ point with its yield dropping to 7.62 from 7.74 late Thursday.

Traders also sold securities in advance of Treasury refunding operations. Today, the Treasury is to sell $17bn in three-year notes with $12bn in 10-year notes to be auctioned tomorrow and $11bn in 30-year notes on Friday.

The market paid little attention commerce department data that showed a decrease in the number of privately owned homes completed in December. In December housing completions fell 1.6 per cent from a revised November figure that showed completions up 0.6 per cent. Previously, the department had said completions were down 1.3 per cent in November.

The yield curve held its shape as traders awaited more economic news before deciding how optimistic to be about waning inflation.

Jumbo loan of $600m is raised for Greece

By Martin Brice

Greece has raised $600m on the international loans market in its second jumbo loan within a year.

SYNDICATED LOANS

The five-year loan carries a margin of 80 basis points over the London interbank offered rate (Libor), and has a grace period of 3½ years during which the republic will repay only interest.

These are similar terms to the $500m which Greece raised last May in the country's first loan under its new sovereign name, the Hellenic Republic. Greece had planned to raise $500m with this latest loan but the response from banks led to it being increased to $600m. A banker close to the deal said: "There was a lot of interest." This oversubscription reflects the success of other sovereign borrowers in the international credits market.

Spain raised Ecu6bn at 8.75 basis points over Libor in May and Sweden raised $6bn at 8 basis points over Libor in December. A DM3bn loan for Portugal at a price of 7.75 basis points over Libor is in syndication among banks.

International lenders are keen to supply funds for sovereign borrowers because they are zero-weighted for capital adequacy purposes, which means banks need not set aside capital against the loans.

Joint bookrunners are Citibank and NatWest Markets. Some 21 banks have agreed to underwrite $28.57m each. The loan will now go into syndication and is likely to be signed in early March.

OMLX to extend flex contracts

By Richard Lapper

OMLX, the London-based securities and derivatives exchange owned by Sweden's OM Group, yesterday stole a march on its rival, the Liffe.

After being granted a licence by the stock exchange, OMLX is launching flex options and futures on the FT-SE 100 index and other UK stock market indices.

Trading in the contracts – dubbed flex because they offer investors greater flexibility than traditional exchange-traded derivatives – will begin on Monday. The London International Financial Futures Exchange (Liffe), the UK's largest futures and options exchange, is planning to launch its own flex contracts in the first half of 1995.

Last year OMLX launched flex contracts on the FT-SE 250 index, on the OMX Swedish stock options index, futures indices and on 24 individual Swedish shares.

It is the only UK exchange to trade flex contracts, although these are traded on other international exchanges – including the Chicago Board Options Exchange (CBOE) and the European Options Exchange of Amsterdam.

Mr Lynton Jones, chief executive of OMLX, said: "In launching flex on the FT-SE 100 and the complete range of UK Series Indices we are demonstrating our strong belief that derivatives markets must respond in an innovative and progressive manner to the challenges and opportunities thrown up by the over-the-counter markets."

Flex arrangements allow investors to customise terms of each contract – varying terms, expiration date and style of options and the index multiplier and expiration date of futures. As well as the FT-SE 100 and FT-SE Actuaries 350, the contracts will also cover the 38 FT-SE 350 industry baskets. In total 41 UK series indices will be available in flex.

"They provide the flexible and customised attributes of OTC contracts with the guaranteed security of clearing and the price discovery mechanism of a recognised investment exchange," said Mr Jones.

The OMLX will also clear and settle the contracts.

Mr Jones also said OMLX intends to delist the FT-SE mid-250 as a standardised contract. "The experience exchanges have had with trading the FT-SE Mid 250 as a standardised contract have led us to believe that certain products are more suitable for trading in flex format," he said.

Mr David Courtney, OMLX marketing director, stressed that the traders of the new products are guaranteed "total confidentiality and anonymity" by virtue of OMLX's phone and screen-based trading system.

He stressed, however, that the new flex products were not designed to win business from the exchange-traded market.

The exchange is aiming its product, at least in part, towards securities firms and banks whose credit ratings are not strong enough to permit extensive involvement in the over-the-counter market.

"We are setting our stall to attract business currently being done over the counter," said Mr Jones. "We don't want to suck volume out of the exchanges."

Liffe, meanwhile, said it has completed "comprehensive research" and is developing its own flex products. "Its been no secret that we have been working on these products for some time," said Ms Karen Forseke, director of equity productsa at Liffe.

OMLX was founded in 1989.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	08/04	93.7300	+0.820	10.03	10.18	10.19
Austria		7.500	01/05	98.9500	+0.660	7.65	7.62	7.82
Belgium		7.750	10/04	96.6900	+0.210	8.25	8.35	8.31
Canada *		9.000	12/04	100.1500	+0.300	8.97	9.30	9.07
Denmark		7.000	12/04	88.1700	+0.370	8.84	8.96	8.92
France	BTAN	8.000	05/98	101.0900	+0.050	7.59	7.80	7.27
	OAT	7.500	04/05	96.3400	+0.120	8.03	8.12	8.07
Germany Bund		7.375	01/05	99.6900	-0.040	7.42	7.44	7.47
Ireland		8.250	10/04	83.4500	+0.100	8.79†	8.78	7.78
Italy		8.500	08/04	86.4700	+0.460	10.82	11.99	11.88
Japan	No 119	4.800	06/99	103.0570	+0.170	3.99	3.76	3.88
	No 164	4.100	12/03	96.3990	+0.030	4.66	4.68	4.54
Netherlands		7.250	10/04	97.8100	+0.100	7.57	7.60	7.65
Portugal		8.875	01/04	84.0000	-0.700	11.65	11.64	11.64
Spain		10.000	02/05	90.6900	+0.500	11.53	11.80	11.64
Sweden		6.000	02/05	71.3190	+0.010	10.84	10.96	10.80
UK Gilts		6.000	08/99	90-24	+3/32	8.53	8.55	8.46
		8.500	12/05	99-16	+2/32	8.57	8.60	8.49
		9.000	10/08	103-16	+1/32	8.58	8.58	8.47
US Treasury *		7.875	11/04	102-13	-2/32	7.52	7.64	7.78
		7.500	11/24	98-10	-2/32	7.64	7.76	7.79
ECU (French Govt)		6.000	04/04	84.8100	+0.230	8.43	8.51	8.52

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime		Treasury Bills and Bond Yields			
		One month	5.13	Two year	7.17
Prime rate	9	Two month	5.60	Three year	7.32
Broker loan rate	6½	Three month	5.95	Five year	7.43
Fed.funds	6	Six month	6.35	10-year	7.53
Fed.funds at intervention	-	One year	6.60	30-year	7.63

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	111.94	111.98	+0.28	112.06	111.88	84,515	132,909
Jun	111.10	111.10	+0.26	111.12	111.04	323	6,595
Sep	110.42	110.40	+0.24	110.42	110.42	2	1,521

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
109	2.99	-	-	0.03	0.63	-
110	2.04	2.01	2.10	0.08	0.92	1.71
111	1.21	1.42	-	0.20	1.29	-
112	0.51	-	-	0.55	-	-
113	0.15	0.58	-	1.15	-	-

Est. vol. total, Calls 27,892 Puts 23,503. Previous day's open int., Calls 175,222 Puts 177,219.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.67	90.55	-	90.82	90.48	99542	211475
Jun	90.22	90.03	+0.04	90.25	90.10	538	7967

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Mar	Calls Apr	Calls May	Calls Jun	Puts Mar	Puts Apr	Puts May	Puts Jun
9050	0.41	0.47	0.64	0.81	0.36	0.94	1.11	1.28
9100	0.19	0.31	0.47	0.62	0.64	1.28	1.44	1.59
9150	0.08	0.19	0.33	0.46	1.03	1.66	1.80	1.93

Est. vol. total, Calls 18038 Puts 12195. Previous day's open int., Calls 198745 Puts 137536

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100.43	100.42	+0.31	100.70	100.25	31148	56456
Jun	99.50	99.49	+0.35	99.56	99.50	3	688

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
10000	0.86	1.66	0.44	2.17
10050	0.58	1.42	0.66	2.43
10100	0.38	1.21	0.94	2.72

Est. vol. total, Calls 1885 Puts 1984. Previous day's open int., Calls 29482 Puts 28378

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	85.25	85.35	+0.39	85.58	85.15	45,476	43,497
Jun	85.20	84.55	+1.07	85.20	85.20	31	652

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	101-30	101-27	+0-03	101-31	101-20	34091	96035
Jun	102-03	102-02	+0-03	102-03	102-03	2	2385

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
101	1-09	2-23	0-19	1-19
102	0-34	1-50	0-44	1-46
103	0-12	1-20	1-22	2-16

Est. vol. total, Calls 2759 Puts 3992. Previous day's open int., Calls 47894 Puts 53320

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	81.92	81.90	+0.22	81.96	81.86	2,294	7,239
Jun	81.70	81.64	+0.22	81.70	81.70	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	102-16	102-14	-0-10	102-18	102-11	600,160	348,700
Jun	102-00	101-29	-0-11	102-00	101-27	14,188	34,805
Sep	101-17	101-17	-0-11	101-20	101-16	823	5,286

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	108.43			108.62	108.41	1626	0
Jun	107.68			107.75	107.68	95	0

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Feb 6	Day's change %	Fri Feb 3	Accrued interest	xd adj. ytd		Low coupon yield Feb 6	Feb 3	Yr. ago	Medium coupon yield Feb 6	Feb 3	Yr. ago	High coupon yield Feb 6	Feb 3	Yr. ago
1 Up to 5 years (23)	119.05	+0.04	118.99	1.71	1.40	5 yrs	8.57	8.58	5.94	8.58	8.59	6.18	8.75	8.78	6.28
2 5-15 years (22)	139.70	+0.14	139.50	1.83	1.59	15 yrs	8.46	8.48	6.69	8.58	8.60	6.78	8.78	8.80	6.97
3 Over 15 years (9)	155.44	+0.18	155.16	0.91	2.96	20 yrs	8.42	8.45	6.78	8.58	8.60	6.78	8.69	8.71	6.96
4 Irredeemables (6)	179.34	+0.43	178.57	2.72	0.00	Irred.†	8.47	8.50	6.87						
5 All stocks (60)	136.55	+0.12	136.39	1.67	1.74										

Index-linked							Inflation 5% Feb 6	Feb 3	Yr. ago	Inflation 10% Feb 6	Feb 3	Yr. ago
6 Up to 5 years (2)	190.03	+0.12	189.80	1.78	0.00	Up to 5 yrs	3.79	3.84	2.47	2.52	2.57	1.62
7 Over 5 years (11)	174.44	+0.26	173.99	0.70	0.59	Over 5 yrs	3.88	3.90	3.03	3.70	3.71	2.86
8 All stocks (13)	175.14	+0.25	174.71	0.79	0.53							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Feb 6	Feb 3	Feb 2	Feb 1	Jan 31	Yr ago	High*	Low*
Govt. Secs. (UK)	91.37	91.23	91.38	91.53	91.33	104.38	107.04	89.54
Fixed Interest	105.57	109.58	109.62	109.64	109.57	129.66	238.87	106.50

* for 1994/5. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Feb 3	Feb 2	Feb 1	Jan 31	Jan 30
Gilt Edged bargains	94.5	102.5	87.2	97.4	95.6
5-day average	95.5	97.8	96.5	105.4	102.7

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	1994/95 High	1994/95 Low
Shorts" (Lives up to Five Years)						
Exch 3pc Gas 1990-95	3.02	6.07	99$\frac{1}{4}$	—	103¾	97⅞
10¼pc 1995	10.09	6.80	101$\frac{19}{32}$	—	107$\frac{15}{16}$	101$\frac{1}{2}$
Treas 12¾pc 1995‡‡	12.22	6.87	104¼	—	113⅝	104⅛
14pc 1996	13.17	7.11	106$\frac{3}{8}$	—	117$\frac{1}{32}$	106$\frac{1}{8}$
15¼pc 1996‡‡	13.97	7.40	109¼	—	121$\frac{5}{32}$	109¼
Exch 13¼pc 1996‡‡	12.41	7.58	106$\frac{27}{32}$	—	117$\frac{25}{32}$	106$\frac{25}{32}$
Conversion 10pc 1996	9.66	7.82	103½	—	112$\frac{1}{8}$	103$\frac{1}{8}$
Conversion 9½pc 2004	9.03	8.69	105¼		125$\frac{1}{4}$	101$\frac{13}{16}$
Treas 6¾pc 2004‡‡	7.87	8.58	87$\frac{13}{16}$		105⅛	84$\frac{15}{16}$
8 ½pc 2005	8.54	8.55	99$\frac{1}{2}$		100$\frac{31}{32}$	97
Conv 9 ½ pc 2005	8.99	8.86	105⅝		125½	102⅞
Treas 12½pc 2003-5	10.29	8.91	121$\frac{17}{32}$		143$\frac{1}{4}$	118⅛
7¾pc 2006‡‡	8.24	8.57	94$\frac{1}{16}$xd		112$\frac{3}{16}$	90⅞
8pc 2002-6‡‡	8.36	8.62	95½		111⅝	91$\frac{15}{16}$
Treas 11¾pc 2003-7	10.15	8.93	115$\frac{5}{8}$		138$\frac{1}{8}$	112⅞
Index-Linked						
2pc '96 (67.9)	2.28	3.81	203$\frac{15}{16}$		203$\frac{15}{16}$	197$\frac{15}{16}$
4⅜pc '98‡‡ (135.6)	2.83	3.89	107⅞		113$\frac{3}{8}$	106$\frac{3}{4}$
2½pc '01 (78.3)	3.43	3.88	167$\frac{3}{8}$		176⅝	163½
2½pc '03 (78.8)	3.52	3.88	163$\frac{3}{4}$		173⅝	159$\frac{1}{4}$
4⅛pc '04‡‡ (135.6)	3.53	3.85	109$\frac{1}{8}$		118⅞	107⅞
2pc '06 (69.5)	3.61	3.86	169$\frac{13}{16}$		184$\frac{13}{16}$	168$\frac{1}{2}$
2½pc '09 (78.8)	3.65	3.87	153$\frac{1}{4}$		168$\frac{1}{4}$	148⅝

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on February 6

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	89⅞	90⅛	+¼	8.23
Alberta Province 7⅝ 98	1000	99¼	99½	+¼	7.85
United Kingdom 7¼ 97	5500	101¼	101⅜		6.59
Volkswagen Intl Fin 7 03	1000	94⅜	95⅜	+⅛	7.85
World Bank 0 15	2000	22¼	22¾	+⅜	7.35
Abbey Natl Treasury 8 03 £	1000	92½	92¾		9.35
Alliance Leics 11⅜ 97 £	100	105	105½	-⅛	8.79
British Land 8⅞ 23 £	150	89½	89⅞		10.24

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Inflation optimism helps dollar make further gains

The dollar finished firmer in European trade yesterday, despite giving up some of its gains during the afternoon session, *writes Philip Gawith.*

Trade was fairly subdued, with the market's attention now focused on the January producer price index, which comes out on Friday. The dollar finished in London at DM1.5309, up from DM1.525 on Friday. Against the yen it closed at Y99.355, from Y99.675.

The firmer dollar, and concerns about the progress of the annual German wage round, took some of the gloss off the D-Mark, which lost ground against most European currencies. The Swedish krona was the biggest winner, firming to SKr4.874 against the D-Mark from SKr4.904.

Sterling lost a further half cent against the dollar, after Friday's two cent fall, finishing at \$1.56 from \$1.5649. It was slightly firmer against the D-Mark, finishing at DM2.3882 from DM2.3864.

■ Traders said that the weak D-Mark was the feature of trading, which was very quiet in the morning. Sentiment towards the D-Mark was depressed by news of walk-outs and talk of balloting for strike action.

The D-Mark was also vulnerable to profit-taking following the boost it received in January from safe-haven flows.

Mr Steve Barrow, international economist at Chemical Bank in London said the story of the day had been D-Mark weakness, rather than dollar strength.

Dollar traders paid little attention to the tabling of the fiscal 1996 budget, choosing instead to focus on the quarterly Treasury refunding and the upcoming PPI figures.

■ Pound in New York

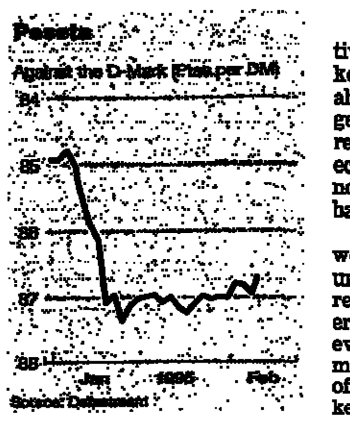
Feb 6	—Latest—	— Prev. close —
£ spot	1.5612	1.5635
1 mth	1.5605	1.5628
3 mth	1.5593	1.5615
1 yr	1.5520	1.5538

Sentiment towards the dollar is currently bullish, dominated by a consensus, after last Friday's weak jobs report, that the US is heading for low-inflationary growth. This will help bonds, and foreign buying should boost the dollar.

Various analysts have pointed out that the dollar's recovery is vulnerable to a setback. They argue that the market is over-eager to discover a trend, with the "soft-landing" scenario far from a foregone conclusion.

■ By contrast with the dollar, there is currently little confidence in sterling. Mr Avinash Persaud, currency strategist at JP Morgan in London, commented: "I think the marketplace is extremely bearish. There is a sense that this government could be out by the end of the year, and markets fear a Labour government."

Mr Carl Weinberg of High Frequency Economics in New York provided a foreign perspective on how markets might respond to Labour. "This is not the same old Labour Party, but no one knows what it is. Our experience is that investors tend to shun political experiments. We think they will continue to sell sterling as long as the risks of elections are significant. If elections are called, we think they would dump sterling."



A slightly different perspective on sterling is that the market is not so much bearish about the currency, as no longer bullish. Having failed in recent months to rally on good economic news, the market has now taken to looking at the bad news.

Mr Barrow said sterling's weakness was difficult to understand, given that it had recently successfully weathered more damaging political events. He surmised that it may have been a functioning of the positioning of the market. "There were a lot of people who, with justification, thought the pound was going to be a good buy. But it wasn't."

■ A senior Spanish official said the recent rise in Spanish rates had been to anticipate inflation, not to defend the peseta, as widely believed in the market.

Mr Alfredo Pastor, secretary of state at the Ministry of Economics and Finance, commented: "The peseta has been within the 15 per cent bands since August 1993. We think it is undervalued, but there is no reason to defend it."

He predicted that inflation would fall from the second quarter, or at least the second half, of the year. On this basis, he said "We see no reason for a further hike in rates this year." The peseta finished at Pta86.73, from Pta86.92, against the D-Mark.

■ The Bank of England provided UK money markets with £370m late assistance. Earlier it had provided £103m at the established rate of 6⅝ per cent, after forecasting a £600m shortage.

■ OTHER CURRENCIES

Feb 6	£	$
Hungary	177.814 - 178.084	114.020 - 114.120
Iran	2753.00 - 2756.00	1748.00 - 1750.00
Kuwait	0.4663 - 0.4669	0.2990 - 0.2992
Poland	3.8161 - 3.8217	2.4470 - 2.4480
Russia	6439.70 - 6444.50	4128.00 - 4131.00
U.A.E.	5.7274 - 5.7319	3.6726 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Feb 6		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.8004	-0.0272	911 - 097	16.8097	16.7058	16.7679	0.9	16.7542	1.1	-	-	105.5
Belgium	(BFr)	49.1401	+0.0124	087 - 714	49.1714	49.0090	49.0777	1.2	48.9751	1.3	48.5151	1.3	107.2
Denmark	(DKr)	9.4100	-0.0026	046 - 153	9.4153	9.3919	9.4066	0.7	9.3928	0.7	9.3553	0.6	106.6
Finland	(FM)	7.3695	-0.0222	613 - 777	7.4070	7.3500	-	-	-	-	-	-	84.3
France	(FFr)	8.2769	-0.0106	735 - 803	8.2803	8.2494	8.2604	1.0	8.2569	1.0	8.1871	1.1	107.2
Germany	(DM)	2.3882	+0.0018	870 - 894	2.3895	2.3824	2.3835	1.5	2.3785	1.6	2.344	1.8	109.2
Greece	(Dr)	371.436	-1.311	239 - 633	373.033	369.363	-	-	-	-	-	-	68.2
Ireland	(I£)	1.0094	-0.0014	085 - 102	1.0109	1.0074	1.0105	0.4	1.0089	0.2	1.0074	0.2	97.1
Italy	(L)	2516.31	-6.38	672 - 990	2519.90	2510.16	2526.19	-1.7	2531.41	-2.1	2575.86	-2.3	73.7
Luxembourg	(LFr)	49.1401	+0.0124	087 - 714	49.1714	49.0090	49.0777	1.2	48.9751	1.3	48.5151	1.3	107.2
Netherlands	(Fl)	2.6776	+0.0025	763 - 788	2.6798	2.6710	2.6719	1.4	2.6669	1.6	2.6315	1.7	107.1
Norway	(NKr)	10.4536	-0.0012	487 - 585	10.4585	10.4304	10.4536	0.1	10.4505	0.1	10.4421	0.1	98.0
Portugal	(Es)	246.449	-0.328	292 - 606	246.858	246.056	247.377	-2.9	248.699	-3.7	-	-	95.5
Spain	(Pta)	207.129	-0.347	024 - 234	207.324	206.715	207.776	-1.7	208.229	-2.1	212.084	-2.4	78.8
Sweden	(SKr)	11.6411	-0.0614	304 - 518	11.6969	11.6253	11.714	-1.2	11.6786	-1.3	11.7891	-1.3	81.0
Switzerland	(SFr)	2.0221	+0.0033	210 - 232	2.0232	2.0185	2.0144	2.6	2.0062	2.8	1.9625	2.9	108.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	87.8
Ecu	-	1.2665	-0.0006	658 - 672	1.2672	1.2621	1.2684	0.6	1.2646	0.6	1.2587	0.6	-
SDR†	-	0.933067	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5601	-0.0056	595 - 607	1.5621	1.5552	-	-	-	-	-	-	-
Brazil	(Cr)	1.3057	-0.008	037 - 077	1.3090	1.3015	-	-	-	-	-	-	-
Canada	(C$)	2.1805	-0.0142	794 - 816	2.1895	2.1708	2.1829	-1.3	2.1881	-1.4	2.201	-0.9	82.2
Mexico	(New Peso)	8.3226	-0.1667	809 - 643	8.3643	8.2337	-	-	-	-	-	-	-
USA	($)	1.5600	-0.0049	595 - 605	1.5621	1.5550	1.5594	0.5	1.5582	0.5	1.5511	0.6	95.7
Pacific/Middle East/Africa													
Australia	(A$)	2.0791	+0.0002	777 - 804	2.0804	2.0760	2.0811	-1.2	2.0865	-1.4	2.1185	-1.9	87.2
Hong Kong	(HK$)	12.0599	-0.0411	552 - 645	12.0782	12.0219	12.0589	0.1	12.0654	-0.8	11.9652	0.6	-
India	(Rs)	48.9333	-0.1678	137 - 529	49.0160	48.7800	-	-	-	-	-	-	-
Israel	(Shk)	4.7131	-0.0047	077 - 185	4.7185	4.6964	-	-	-	-	-	-	-
Japan	(Y)	154.994	-0.983	905 - 083	155.730	154.810	154.464	4.1	153.309	4.3	147.434	4.9	148.5
Malaysia	(M$)	3.9835	-0.0124	814 - 855	3.9927	3.9719	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4655	+0.0079	633 - 676	2.4676	2.4623	2.4688	-1.6	2.479	-2.2	2.5125	-1.9	98.3
Philippines	(Peso)	38.6880	-0.1203	976 - 784	38.7784	38.5976	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8509	-0.0179	486 - 531	5.8585	5.8325	-	-	-	-	-	-	-
Singapore	(S$)	2.2800	-0.0016	784 - 815	2.2815	2.2722	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5369	-0.014	339 - 398	5.5494	5.5203	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.2977	-0.0556	801 - 153	6.3315	6.2801	-	-	-	-	-	-	-
South Korea	(Won)	1233.96	-7.87	325 - 467	1238.97	1230.32	-	-	-	-	-	-	-
Taiwan	(T$)	41.0077	-0.1346	930 - 224	41.0673	40.8776	-	-	-	-	-	-	-
Thailand	(Bt)	39.1092	-0.106	811 - 373	39.1700	38.9990	-	-	-	-	-	-	-

†SDR rates for Feb 2. Corrected US$ Low for Jan 31st: 1.5788. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 6		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.7695	+0.016	670 - 720	10.8025	10.7450	10.762	0.8	10.7423	1.0	10.6095	1.5	105.3
Belgium	(BFr)	31.5000	+0.1055	900 - 100	31.5600	31.4450	31.4775	0.9	31.425	1.0	31.205	0.9	107.1
Denmark	(DKr)	6.0320	+0.017	305 - 335	6.0465	6.0190	6.0302	0.3	6.027	0.3	6.017	0.2	105.7
Finland	(FM)	4.7241	+0.0005	203 - 278	4.7499	4.7187	4.7214	0.7	4.7171	0.6	4.7066	0.4	83.3
France	(FFr)	5.3057	+0.0097	052 - 062	5.3190	5.2905	5.3031	0.6	5.2991	0.5	5.2782	0.6	106.5
Germany	(DM)	1.5309	+0.0059	306 - 312	1.5350	1.5265	1.5296	1.0	1.5265	1.1	1.5112	1.3	108.7
Greece	(Dr)	238.100	-0.1	050 - 150	239.600	236.650	241.1	-15.1	245.85	-13.0	258.25	-8.5	68.3
Ireland	(I£)	1.5456	-0.0027	448 - 463	1.5475	1.5392	1.5458	-0.1	1.5454	0.1	1.5446	0.1	-
Italy	(L)	1614.30	+0.92	380 - 480	1616.95	1611.00	1617.05	-2.0	1624.1	-2.4	1656.3	-2.6	73.0
Luxembourg	(LFr)	31.5000	+0.1055	900 - 100	31.5600	31.4450	31.4775	0.9	31.425	1.0	31.205	0.9	107.1
Netherlands	(Fl)	1.7164	+0.0069	161 - 166	1.7196	1.7118	1.7149	1.0	1.7113	1.2	1.6926	1.4	106.7
Norway	(NKr)	6.7010	+0.02	000 - 020	6.7180	6.6797	6.6967	0.8	6.6905	0.6	6.6485	0.8	97.2
Portugal	(Es)	157.980	+0.28	930 - 030	158.500	157.820	158.365	-2.9	159.395	-3.6	163.835	-3.7	95.5
Spain	(Pta)	132.775	+0.19	750 - 800	133.150	132.530	133.005	-2.1	133.595	-2.5	136.37	-2.7	78.3
Sweden	(SKr)	7.4623	-0.016	578 - 667	7.5005	7.4578	7.4721	-1.6	7.4933	-1.7	7.5813	-1.6	80.0
Switzerland	(SFr)	1.2962	+0.0061	959 - 965	1.3000	1.2935	1.2938	2.2	1.2887	2.3	1.2626	2.6	108.1
UK	(£)	1.5600	-0.0049	595 - 605	1.5621	1.5550	1.5594	0.5	1.5582	0.5	1.5511	0.6	87.4
Ecu	-	1.2318	-0.0032	315 - 320	1.2340	1.2295	1.232	-0.2	1.2325	-0.2	1.2354	-0.3	-
SDR†	-	1.46958	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0001	-0.0005	000 - 001	1.0001	1.0000	-	-	-	-	-	-	-
Brazil	(Cr)	0.8370	-0.0025	360 - 380	0.8380	0.8360	-	-	-	-	-	-	-
Canada	(C$)	1.3978	-0.0047	975 - 980	1.4025	1.3958	1.3997	-1.7	1.404	-1.8	1.4155	-1.3	81.0
Mexico	(New Peso)	5.3350	-0.08	100 - 600	5.3500	5.3100	5.3358	-0.2	5.3382	-0.1	5.3376	0.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.9
Pacific/Middle East/Africa													
Australia	(A$)	1.3326	+0.0042	323 - 332	1.3350	1.3312	1.3348	-2.0	1.3394	-2.0	1.3649	-2.4	88.6
Hong Kong	(HK$)	7.7307	-0.0023	302 - 312	7.7380	7.7302	7.7318	-0.2	7.7329	-0.1	7.7377	-0.1	-
India	(Rs)	31.3675	-0.01	650 - 700	31.3800	31.3650	31.4475	-3.1	31.6925	-4.1	-	-	-
Israel	(Shk)	3.0212	+0.0068	187 - 237	3.0238	3.0108	-	-	-	-	-	-	-
Japan	(Y)	99.3550	-0.32	300 - 800	99.7200	99.3000	99.065	3.5	98.365	4.0	94.83	4.6	148.5
Malaysia	(M$)	2.5535	-	530 - 540	2.5576	2.5530	2.5515	0.9	2.547	1.0	2.531	0.9	-
New Zealand	(NZ$)	1.5803	+0.0099	795 - 813	1.5835	1.5792	1.5838	-2.7	1.5898	-2.4	1.6148	-2.2	-
Philippines	(Peso)	24.8000	-	500 - 500	24.8500	24.7500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	+0.0002	503 - 508	3.7508	3.7503	3.7532	-0.8	3.7565	-0.6	3.7681	-0.5	-
Singapore	(S$)	1.4615	+0.0035	610 - 620	1.4635	1.4580	1.4566	4.1	1.4512	2.8	1.4278	2.3	-
S Africa (Com.)	(R)	3.5493	+0.002	485 - 500	3.5625	3.5470	3.5643	-5.1	3.5953	-5.2	3.7513	-5.7	-
S Africa (Fin.)	(R)	4.0370	-0.023	270 - 470	4.0550	4.0270	4.0645	-8.2	4.1145	-7.7	4.347	-7.7	-
South Korea	(Won)	791.000	-2.45	800 - 200	793.700	790.800	794	-4.6	797.5	-3.3	816	-3.2	-
Taiwan	(T$)	26.2870	-0.0045	860 - 880	26.2915	26.2800	26.307	-0.9	26.347	-0.9	-	-	-
Thailand	(Bt)	25.0700	+0.01	600 - 800	25.0800	25.0600	25.0825	-0.6	25.0965	-0.4	25.1225	-0.2	-

†SDR rate for Feb 2. Corrected UK£ Low for Jan 31st: 1.5788. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 2. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

February 6	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	4⅞	5¼	5⅜	5¾	6⅜	7.40	4.50	-
week ago	4⅞	5¼	5⅜	5⅝	6⅜	7.40	4.50	-
France	5⅜	5⅝	5¾	6⅛	6⅝	5.00	-	6.40
week ago	5⅜	5½	5⅝	6⅛	6¾	5.00	-	6.40
Germany	4.93	4.95	5.05	5.25	5.70	6.00	4.50	4.85
week ago	5.55	4.95	5.05	5.25	5.70	6.00	4.50	4.85
Ireland	5⅛	5⅝	6¼	6⅝	7⅜	-	-	6.25
week ago	5⅛	5⅝	6¼	6⅝	7⅜	-	-	6.25
Italy	8⅝	8⅝	8¾	9¼	10	-	7.50	8.20
week ago	8⅝	8⅝	8⅞	9⅛	10⅛	-	7.50	8.20
Netherlands	4.84	5.01	5.10	5.30	5.79	-	5.25	-
week ago	4.84	5.01	5.13	5.33	5.82	-	5.25	-
Switzerland	3⅞	3⅞	3⅞	4⅛	4½	6.625	3.50	-
week ago	3⅞	3⅞	4	4¼	4⅜	6.625	3.50	-
US	6	6⅛	6¼	6⅝	7¼	-	5.25	-
week ago	5⅞	6⅛	6¼	6⅝	7⅛	-	4.75	-
Japan	2¼	2¼	2¼	2¼	2⅜	-	1.75	-
week ago	2¼	2¼	2¼	2¼	2⅜	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	6⅛	6¼	6⅝	7⅛	-	-	-
week ago	-	6⅛	6¼	6⅝	7¼	-	-	-
US Dollar CDs	-	5.93	6.02	6.28	6.85	-	-	-
week ago	-	5.93	6.12	6.42	7.03	-	-	-
SDR Linked Ds	-	4.625	4.812	5.125	5.687	-	-	-
week ago	-	4.625	4.812	5.125	5.687	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅝; 3 mths: 6; 6 mths: 6⅛; 1 year: 6⅝. $ LIBOR interbank fixing rates are offered rates for \$10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 6	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5⅛ - 5	5⅛ - 5	5¼ - 5⅛	5 7/16 - 5 5/16	5 13/16 - 5 11/16	6⅜ - 6¼
Danish Krone	5¼ - 5	5¼ - 5½	5⅞ - 5⅝	6¼ - 6	6¾ - 6⅝	7 7/16 - 7 5/16
D-Mark	4⅞ - 4¾	5 - 4⅞	5 - 4⅞	5 1/16 - 4 15/16	5¼ - 5⅛	5¾ - 5⅝
Dutch Guilder	5 1/16 - 4 15/16	5 1/16 - 4 15/16	5⅛ - 5 1/16	5 3/16 - 5 1/16	5⅜ - 5¼	5 13/16 - 5 11/16
French Franc	5⅜ - 5¼	5 7/16 - 5 5/16	5½ - 5⅜	5¾ - 5⅝	6 1/16 - 5 15/16	6⅝ - 6½
Portuguese Esc.	8⅞ - 8¾	9 - 8 13/16	9¼ - 9⅛	10 - 9½	10½ - 10	11 3/16 - 10 13/16
Spanish Peseta	8 1/16 - 7 15/16	8⅛ - 8	8¼ - 8	8¾ - 8½	9¼ - 9⅛	10 - 9 13/16
Sterling	7 - 6¾	6 17/32 - 6 13/32	6 13/16 - 6⅝	6 13/16 - 6 11/16	7⅛ - 7 1/16	7 13/16 - 7 11/16
Swiss Franc	3¼ - 3⅛	3⅜ - 3¼	3⅝ - 3½	3 13/16 - 3 11/16	4 3/16 - 4 1/16	4½ - 4⅜
Can. Dollar	7¾ - 7½	7¾ - 7½	7¾ - 7⅝	7⅞ - 7¾	8 - 7⅞	8⅜ - 8¼
US Dollar	6 1/16 - 5 15/16	6 1/16 - 5 15/16	6⅛ - 6	6 5/16 - 6 3/16	6 11/16 - 6 9/16	7 5/16 - 7 3/16
Italian Lira	9 - 7½	8 9/16 - 8 5/16	8⅜ - 8¼	8¾ - 8⅝	9¼ - 9⅛	10 - 9⅞
Yen	2¼ - 2 3/16	2¼ - 2 3/16	2¼ - 2 3/16	2 5/16 - 2¼	2⅜ - 2 5/16	2 9/16 - 2½
Asian $Sing	3⅞ - 3⅝	4⅞ - 4¼	3⅝ - 3½	4 9/16 - 4 5/16	4 9/16 - 4 7/16	4¾ - 4⅝

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.94	93.99	+0.06	94.00	93.94	11,989	48,880
Jun	93.52	93.54	+0.05	93.57	93.52	10,741	44,838
Sep	93.18	93.19	+0.04	93.25	93.18	7,266	34,569
Dec	92.90	92.89	+0.03	92.93	92.88	1,930	19,889

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.56	93.54	-	93.56	93.56	100	1437
Jun		92.99	-0.01			0	523
Sep		92.65	-0.01			0	177
Dec		92.32	-0.03			0	200

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.79	94.78	-0.01	94.81	94.77	13293	192275
Jun	94.41	94.37	-0.02	94.42	94.36	18045	187513
Sep	94.01	93.97	-0.02	94.02	93.96	10052	105367
Dec	93.62	93.58	-0.02	93.63	93.57	10634	76541

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.85	90.92	+0.12	90.93	90.83	6991	35377
Jun	90.13	90.24	+0.13	90.26	90.12	5531	26262
Sep	89.70	89.80	+0.12	89.81	89.70	1722	25453
Dec	89.40	89.47	+0.11	89.50	89.39	867	14631

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.90	95.89	-	95.92	95.89	2600	18104
Jun	95.56	95.55	-	95.60	95.55	1296	14838
Sep	95.29	95.28	+0.01	95.30	95.28	504	6314
Dec		95.03	+0.01			0	5349

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.87	93.87	+0.03	93.70	93.65	757	9971
Jun	93.15	93.16	+0.04	93.21	93.15	908	6606
Sep	92.74	92.74	+0.02	92.77	92.72	316	3709
Dec	92.30	92.34	+0.05	92.33	92.30	161	1932

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 6		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.15	16.84	4.860	2.053	5124	5.448	21.27	501.4	421.4	23.69	4.115	2.035	4.436	3.175	315.2	2.576
Denmark	(DKr)	52.22	10	8.795	2.538	1.072	2676	2.845	11.11	261.8	220.1	12.37	2.149	1.063	2.317	1.658	164.6	1.345
France	(FFr)	59.38	11.37	10	2.885	1.219	3043	3.235	12.63	297.7	250.2	14.06	2.443	1.208	2.634	1.885	187.2	1.530
Germany	(DM)	20.58	3.941	3.466	1	0.423	1054	1.121	4.376	103.2	86.73	4.874	0.847	0.419	0.913	0.653	64.87	0.530
Ireland	(I£)	48.70	9.326	8.202	2.367	1	2496	2.653	10.36	244.2	205.3	11.54	2.004	0.991	2.161	1.546	153.5	1.255
Italy	(L)	1.952	0.374	0.329	0.095	0.040	100.	0.106	0.415	9.786	8.225	0.462	0.080	0.040	0.087	0.062	6.152	0.050
Netherlands	(Fl)	18.36	3.515	3.092	0.892	0.377	940.6	1	3.904	92.04	77.36	4.348	0.755	0.374	0.814	0.583	57.86	0.473
Norway	(NKr)	47.02	9.005	7.920	2.285	0.966	2410	2.562	10	235.8	198.2	11.14	1.935	0.957	2.086	1.493	148.2	1.211
Portugal	(Es)	19.94	3.819	3.359	0.969	0.409	1022	1.086	4.241	100.	84.05	4.724	0.821	0.406	0.885	0.633	62.87	0.514
Spain	(Pta)	23.73	4.544	3.996	1.153	0.487	1216	1.293	5.046	119.0	100.	5.620	0.976	0.483	1.053	0.753	74.79	0.611
Sweden	(SKr)	42.22	8.084	7.110	2.052	0.867	2163	2.300	8.978	211.7	177.9	10	1.737	0.859	1.873	1.340	133.1	1.088
Switzerland	(SFr)	24.30	4.654	4.093	1.181	0.499	1245	1.324	5.169	121.9	102.4	5.757	1	0.495	1.078	0.772	76.61	0.626
UK	(£)	49.14	9.410	8.276	2.388	1.009	2518	2.677	10.45	246.4	207.1	11.64	2.022	1	2.180	1.560	154.9	1.266
Canada	(C$)	22.54	4.317	3.796	1.095	0.463	1155	1.228	4.794	113.0	95.00	5.339	0.928	0.459	1	0.716	71.06	0.581
US	($)	31.50	6.032	5.305	1.531	0.647	1614	1.716	6.699	157.9	132.8	7.462	1.296	0.641	1.397	1	99.29	0.812
Japan	(Y)	31.72	6.075	5.343	1.542	0.651	1626	1.728	6.746	159.1	133.7	7.515	1.305	0.646	1.407	1.007	100.	0.817
Ecu		38.82	7.433	6.537	1.886	0.797	1989	2.115	8.254	194.6	163.6	9.194	1.597	0.790	1.722	1.232	122.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6554	0.6525	-0.0030	0.6554	0.6522	41,980	81,439
Jun	0.6553	0.6545	-0.0032	0.6556	0.6543	292	3,388
Sep	-	0.6575	-	-	0.6575	270	673

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.0070	1.0078	+0.0021	1.0098	1.0066	32,579	75,548
Jun	1.0200	1.0190	+0.0021	1.0208	1.0186	1,384	7,277
Sep	1.0305	1.0313	+0.0021	1.0313	1.0305	37	671

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7735	0.7714	-0.0028	0.7744	0.7711	30,468	40,442
Jun	0.7770	0.7763	-0.0026	0.7774	0.7760	399	1,288
Sep	-	0.7815	-	-	0.7815	6	174

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5596	1.5552	-0.0074	1.5626	1.5538	24,938	37,771
Jun	1.5560	1.5550	-0.0064	1.5560	1.5510	280	1,492
Sep	-	1.5500	-	-	1.5480	2	6

UK INTEREST RATES

LONDON MONEY RATES

Feb 6	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7¼ - 6¼	6⅞ - 6 11/16	6 13/16 - 6 9/16	6 13/16 - 6 11/16	7⅛ - 7	7 13/16 - 7 11/16
Sterling CDs	-	-	6 13/16 - 6 17/32	6 13/16 - 6 11/16	7 1/16 - 7	7⅝ - 7 9/16
Treasury Bills	-	-	6½ - 6 7/16	6½ - 6 7/16	-	-
Bank Bills	-	-	6 17/32 - 6 7/16	6 13/16 - 6 11/16	7 - 6⅞	-
Local authority deps.	6 - 5⅞	6 1/16 - 5 15/16	6 9/16 - 6 7/16	6¾ - 6⅝	7 1/16 - 6 15/16	7¾ - 7⅝
Discount Market deps	7⅛ - 6¾	6 11/16 - 6⅝	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2	2½	5¼	5½	5¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Certs of Tax dep. under £100,000 is 2½pc. ECGD fixed rate Stlg. Export Finance. Make up day Jan 31, Ave. tender rate of discount 6.1694pc. ECGD fixed rate Stlg. Export Finance. Make up day Jan 31, 1995. Agreed rate for period Feb 26, 1995 to Mar 25, 1995, Schemes II & III 7.87pc. Reference rate for period Dec 31, 1994 to Jan 31, 1995, Schemes IV & V 6.624pc. Finance House Base Rate 7pc from Feb 1, 1995

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.98	92.95	+0.01	92.97	92.94	19033	82391
Jun	92.28	92.29	+0.03	92.31	92.25	23610	95620
Sep	91.86	91.86	+0.02	91.88	91.81	8808	68979
Dec	91.55	91.53	+0.01	91.58	91.51	7345	51705

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9275	0.23	0.08	0.08	0.03	0.54	0.98
9300	0.06	0.03	0.05	0.11	0.74	1.20
9325	0.01	0.01	0.02	0.31	0.97	1.42

Est. vol. total, Calls 8276 Puts 5192. Previous day's open int., Calls 167711 Puts 146926

EMS EUROPEAN CURRENCY UNIT RATES

Feb 6	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.12675	+0.00147	-3.19	10.24	-
Belgium	40.2123	39.0402	-0.002	-2.91	9.93	21
Austria	13.7167	13.3535	+0.0102	-2.72	9.63	-
Germany	1.94964	1.89765	+0.00148	-2.67	9.65	-
Ireland	0.808628	0.802199	+0.000561	-0.80	7.58	5
Denmark	7.43679	7.47907	-0.00475	0.57	6.12	-4
France	6.53883	6.57702	-0.00597	0.58	6.11	-5
Portugal	192.854	195.997	-0.013	1.63	5.01	-11
Spain	154.250	164.624	-0.41	6.73	0.00	-47
NON ERM MEMBERS						
Greece	264.513	296.412	+0.343	12.06	-4.76	-
Italy	1793.19	1997.99	-9.51	11.42	-4.21	-
UK	0.786749	0.795197	+0.002365	1.07	5.59	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
1.500	5.80	5.63	5.90	-	0.07	0.43
1.525	3.12	3.45	3.98	-	0.37	0.98
1.550	0.94	1.77	2.48	0.23	1.12	1.90
1.575	0.04	0.71	1.38	1.83	2.55	3.23
1.600	-	0.21	0.69	4.19	4.48	5.01
1.625	-	0.02	0.30	6.68	6.76	7.09

Previous day's vol., Calls 9,203 Puts 16,163. Prev. day's open int., Calls 232,743 Puts 294,800

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	93.55	93.54	-0.02	93.56	93.53	162,985	403,059
Jun	93.00	92.99	-0.04	93.02	92.98	363,177	424,554
Sep	92.66	92.64	-0.06	92.69	92.62	192,369	285,831

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.13	94.12	-0.01	94.13	94.12	2,527	9,607
Jun	93.54	93.54	-0.02	93.56	93.54	1,767	11,080
Sep	93.20	93.19	-0.06	93.20	93.18	893	5,015

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	CALLS Jun	PUTS Feb	PUTS Mar	PUTS Apr	PUTS Jun
9475	0.05	0.09	0.02	0.05	0.02	0.06	0.40	0.43
9500	0	0.01	0	0.02	0.22	0.23	0.63	0.65
9525	0	0	0	0.01	0.47	0.47	0.88	0.89

Est. vol. total, Calls 4175 Puts 5000. Previous day's open int., Calls 183123 Puts 209862

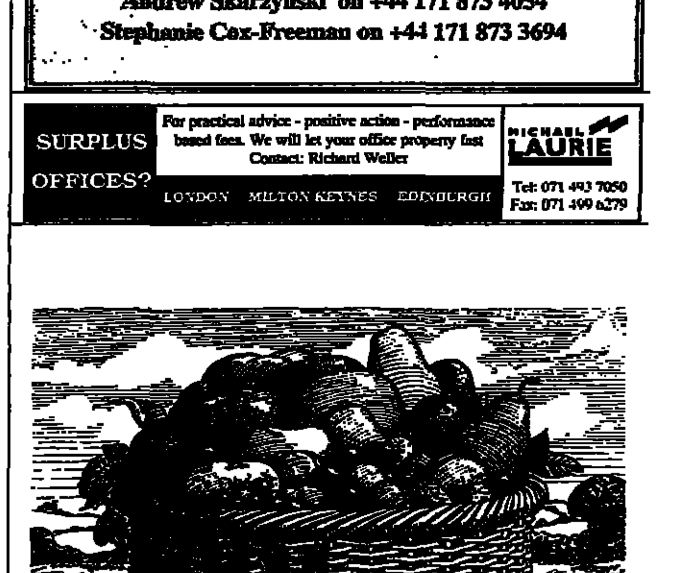
■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9575	0.17	0.09	0.08	0.03	0.29	0.55
9600	0.03	0.03	0.04	0.14	0.48	0.76
9625	0	0.01	0.01	0.38	0.71	0.98

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1795 Puts 2010

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	9
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.00	Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs.	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	●United Bk of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.25
Bank of India	6.75	Heritable & Gen Inv Bk.	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75	* In administration	
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		



LONDON SHARE SERVICE

BANKS, MERCHANT

Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Prf	97	—	117	88¼	12.1	10.3	-
9¼pc Non-Cum Prf	117½	—	137½	107	47.0	10.4	-
Cater Allen ‡†N□	443	—	*530¼	436	144.4	8.0	8.1
Close Bros ‡N	223	—	*289½	203	212.3	4.2	10.1
Gerrard & Nat ‡†N□	408	—	515	395	227.8	8.4	13.5
Hambros ‡N□	238	+1	473	208	428.1	7.9	14.6
7½pc Cv Pf	108½	—	191	93½	139.8	8.6	-
Joseph (L) ‡†N	393	—	443	393	20.8	5.6	11.4
King & Shaxson ‡N	97	—	170	96	16.9	11.8	8.6
Kleinwort Benson ‡†N□	628	+2	683	424	827.1	3.9	10.9
Rea Bros ‡†N□	64	—	79	53	26.6	1.9	17.9
Schroders ‡†N□	1473	-12	1574	1050	1,473	1.6	13.5
N/V †N	1323	-12	1488	1043	383.7	1.7	12.1
Singer & Fried ‡†N□	95	—	114	75	185.1	4.6	10.9
Union ‡†N□	88	—	*199	87	29.4	6.4	8.1
Warburg (SG) ‡N□	748	-13	1072	569	1,846	3.7	13.7
Wintrust ‡†N	228	—	398	203	18.4	5.8	15.0

BANKS, RETAIL

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

هكذا من الاصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

INVESTMENT COMPANIES - Cont.

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's
[illegible]							
TVX Gold	♥	389½p	+2½	490½p	338½p	617.0	–
Toronto-Dom.		9½	+⅛	11¼	8⅛	2,852	4.1
Trans Can Pipe	♥	8⅛	+⅛	10⅞	7⅛	1,494	4.7

SOUTH AFRICANS

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind.		£29	—	£34	£13½	1,882	2.5	21.2
Barlow	♣	£5⅞	+⅛	£5¾	£3½	1,128	1.8	30.0
Gold Flds Prop R		144xd	+3	152	75	14.7	7.5	ɸ
NK Props.		85	—	98	85	3.42	14.3	–
SASOL	♥	509	+25	582	380	2,896	2.8	–
SA Brews	†	£14⅞	+½	£16⅞	£10	4,111	2.0	22.9
Tiger Oats		725	—	838	538	1,090	2.1	16.9
Tongaat-Hulett	††	762	+61	*762	356¼	694.5	1.9	22.0

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ɸ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ⁂ USM: not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Figures based on CMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

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FT Cityline

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An International service is available for callers outside the UK, annual subscription £250 stg.

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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

GUERNSEY (SIB RECOGNISED)

Lazard Fund Mngrs - Contd.

GUERNSEY (REGULATED)(**)

Merrill Lynch Guernsey

IRELAND (SIB RECOGNISED)

Singer & Friedlander Inv Funds Ltd - Contd.

IRELAND (REGULATED)(**)

Yield Korea Fund

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

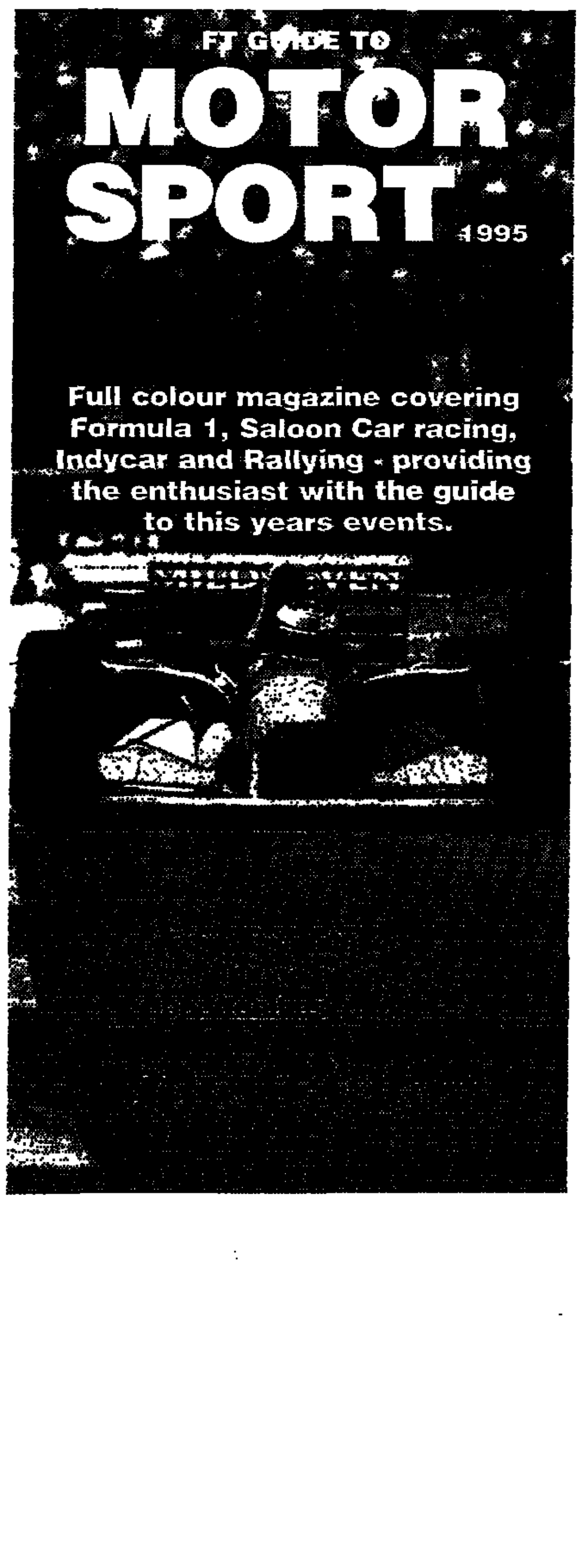
Concerto Ltd

LUXEMBOURG (SIB RECOGNISED)

Commercial Union Luxembourg SA - Contd.

Midland Intl Circuit Fund SICAV(z)

LUXEMBOURG (REGULATED)(**)



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LONDON STOCK EXCHANGE

MARKET REPORT

Early advance cut back by political concerns

By Terry Byland,
UK Stock Market Editor

A slow undertow of political worries restrained the UK stock market yesterday, preventing it from joining fully in the positive response by other European and Far Eastern markets to Wall Street's strong rise ahead of the weekend. A firm start, which saw the FT-SE 100-share Index gain more than 15 points, was soon lost as sterling and government bonds again shied away from perceived political pressures on the Ulster and European policies of Mr John Major's government.

But traders stressed that underlying confidence remained good and that there was little significant selling pressure. Equity analysts played down the political concerns, which had surfaced in the foreign exchange markets, and were regarded in the stock market as "premature".

Kleinwort Benson, the UK merchant banking and securities house, is convinced that political worries are overdone and that the stock market is poised for a rise of 5 to 10 per cent over the next two months.

Market strategists kept their eyes on the latest developments in the US economy, believing that the employment data announced on Friday implied that economic growth was under control and that the peak of the interest rate cycle might be close at hand.

Wall Street made a more muted start to the new trading session, showing a gain of only one Dow point in London hours. The final reading on the FT-SE 100 Index, at 3,062, represented a gain on the day of 2.3 points.

Trading volume also died away somewhat in the absence of new developments on the takeover scene, which has provided the drive behind the Footsie's confident advance from the 3,000 mark.

Seaq volume of 420.6m shares yesterday compared with 616.3m on Friday. Once again, Friday's retail business level of £2.3bn – well within the range associated with bull markets – was boosted by activity in specific corporate situations rather than spread across the marketplace.

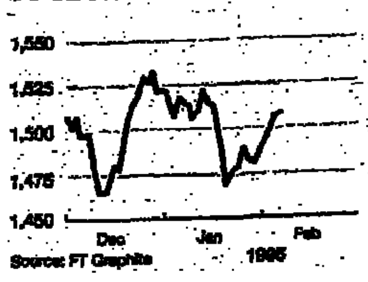
The brighter tone of the market was reflected in a better performance from the FT-SE Mid 250 Index, which takes in a range of second line issues. The 250 index put on 5.6 at 3,385.8, outperforming the FT-SE 100-share Index for the first time in many weeks.

The £9bn-plus bid saga in the pharmaceuticals continued to loom over the market as investors waited for Glaxo to unveil its formal offer for Wellcome at the end of the week. Hints in the UK press last weekend that Pfizer, of the US, might come to Wellcome's rescue found a mixed response in the market; drug sector specialists continued to doubt Wellcome's chances of finding a rival £9bn suitor.

Towards the close of trading, British government bonds rallied from early falls, and analysts commented that this could set the tone for this morning's opening in the equity market. But the overriding factor behind London is likely to be the progress of New York stocks.

This week offers a relatively light calendar of economic data. Analysts are focusing on the US producer price statistics, due on Friday.

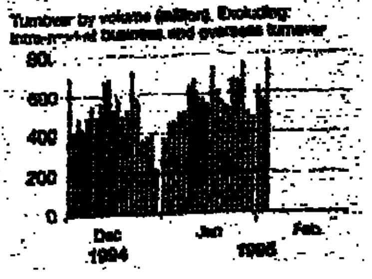
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3062.0	+2.3
FT-SE Mid 250	3395.8	+5.6
FT-SE-A 350	1525.1	+1.4
FT-SE-A All-Share	1508.21	+1.5
FT-SE-A All-Share yield	4.07	(4.07)
FT Ordinary Index	2320.3	+0.5
FT-SE-A Non Fins p/e	1636.57	+1.75
FT-SE 100 Fut Mar	3089.0	+5.0
10 yr Gilt yield	8.65	(8.66)
Long gilt/equity yld ratio:	2.14	(2.14)

Best performing sectors

1. Oil Exploration .... +1.1
2. Building Mats .... +0.7
3. Telecommunications .... +0.7
4. Other Ser & Bus .... +0.6
5. Media .... +0.5

Worst performing sectors

1. Extractive Inds .... -1.0
2. Gas Distribution .... -0.8
3. Banks, Merchant .... -0.6
4. Distributors .... -0.6
5. Property .... -0.5

New bid alert in Recs

Yorkshire Electricity outpaced the rest of the regional electricity stocks, with dealers taking the view that the long-rumoured bid for the group could be imminent.

Along with Northern Electric, for which Trafalgar House has bid £1.2bn, and South Wales Electricity, Yorkshire is seen as one of the sector's favourite takeover targets. Swiss Bank Corporation holds an 8 per cent stake which it said it has built up as part of its marketmaking activities. Dealers said Hanson is viewed as the most likely bidder for the company.

Yorkshire shares jumped 19 to 774p, albeit in relatively light turnover of 498,000 shares, while South Wales put on 7 at 766p. Northern, where the market awaits the recommendation from Mr Michael Heseltine, president of the Board of Trade, whether or not to approve an investigation by the Monopolies and Mergers Commission, slipped 3 to 955p.

Lloyds Bank upset

Shares in Lloyds Bank performed badly against the overall market but in line with the banks sector, as the market registered its disappointment with 1994 results from Cheltenham & Gloucester Building Society. Lloyds Bank bid for C&G last year.

Marketmakers said the C&G figures, plus residual nervousness about Lloyds Abbey Life, Lloyds Bank's life assurance subsidiary, and the bank's own preliminary results, due on Friday, caused the setback in Lloyds Bank shares.

Lloyds Bank kicks off the banking sector results season and is expected to reveal pre-tax profits in excess of £1.2bn, compared with last time's £1.03bn, and a dividend increase of around 15 per cent. The bank's shares settled 5 cheaper at 545p.

British Airways' third-quarter results reinforced the group's reputation as the world's most profitable airline and left the stock 4½ higher at 374p. On a dull day for volume generally, turnover was solid at 5.5m, and the business was mostly on the upside as the shares found clear favour among airline watchers.

Buoyed by reduced fuel costs and strong traffic flows, the latest quarterly results were said to confirm the underlying strength of BA's core operations. Panmure Gordon upgraded annual profits estimates by £25m to £475m. UBS stayed put at £450m but edged up unit earnings by a penny to 34p and switched its recommendation from hold to buy.

Vodafone, the mobile phones group, was easily the market's most active stock with turnover topping 17m. The shares, badly mauled in recent weeks after a series of analysts' downgrades was followed by a warning on lower profits in the current year, rallied 6 more to 193p as US investors preferred to judge the shares on a longer term view.

Reed International gained 6 at 745p as Kleinwort Benson stressed its positive stance. The house is also keen on United Newspapers, a penny firmer at 487p.

USM-quoted SelecTV improved 2 to 24½ as it was announced that MAI, the media investment and financial services group, had bought a 4.2 per cent stake.

Talk that Morgan Stanley, the influential US investment bank, had increased the Hong Kong weighting in its global portfolio helped to boost HSBC, whose shares raced up 19 to 671p on very heavy turnover of 8.1m shares. National Westminster Bank slipped 7 to 489p in the wake of a Smith New Court recommendation.

Fund management group Henderson Administration retreated 62 to 1013p after issuing a profits warning although insisting that the dividend will be maintained.

Mining company RTZ fell 10 to 768p as copper prices slipped on the London Metal Exchange. The three-month copper price slipped below key support at $2,800 a tonne on overnight fund liquidation from the Far East and follow through selling in Europe.

US buyers were picking up UK pharmaceuticals stocks, with SmithKline Beecham Units attracting interest and rising 4 to 454p. The "A" shares followed suit to end 2 higher at 481p.

Takeover target Wellcome, which is expected to launch its epilepsy drug Lamictal in the UK today, was in strong demand during early trade. The market responded to speculation in the Sunday press that Pfizer, of the US, was poised to enter as a bidder. However, the shares ticked back in late trade to close flat at 1018p. At that price they offer a 20p discount into Glaxo after charges. Glaxo, expected to announce a profit of above £1bn some time this week, receded 5 to 661p.

The recent takeover speculation in Lasmo continued unabated, with persistent talk that Enterprise Oil's near 10 per cent stake could be about to change hands still circulating in the market. Lasmo added 5 at 156p on turnover of 3.5m. Also helping to drive the shares ahead was a firm showing by crude oil prices, which moved up some 30 cents on the day to $17.25 a barrel in response to forecasts of more bad weather in the US.

High street retailer Dixons gained 4 at 213p in trade of 5.4m, with Kleinwort Benson and Swiss Bank Corp said to have recommended the stock.

Hotels group Forte was in demand ahead of Friday's trading statement, rising 5½ to 244p in trade of 2.7m. UBS, the group's broker, was said to have had the day's big buyer. Sentiment was further enhanced by a recommendation from Nomura. Drinks and hotels group Vaux continued to bask in the glow of Friday's confident annual meeting, gaining 3 at 228p.

Nervous trading in Thorn EMI, ahead of today's third-quarter figures, left the shares a penny lighter at 1049p. The market expects the group to confirm the closure of Rumbelows, the loss-making electrical goods chain. Analysts predicted favourable figures for the group's music division.

Food manufacturer Dalgety slipped 5 to 414p as several brokers turned cautious about the group's acquisition of Quaker's European pet foods business announced last week.

BZW reiterated its sell stance on the stock, saying Dalgety had paid too much for the purchase. However, analysts at NatWest Securities were positive on the deal, urging investors to add to holdings. NatWest said the merger of some of the group's operations following the acquisition "should lead to a rerating of the shares over the next few months".

Chemicals leader ICI shed 8 to 738p as speculation gathered ground that Robert Fleming Securities was poised to publish a negative note on the stock today.

Tomkins added a further 5½ at 241p in 5.7m turnover. The shares have advanced by close on 9 per cent in the four sessions since the group announced plans for a move from Nasdaq to a New York Stock Exchange listing. Electronics and packaging specialist TT Group added a penny to 238p following analysts visits.

MARKET REPORTERS:
Steve Thompson,
Peter John, Joel Kibazo,
Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Feb 6	Feb 3	Feb 2	Feb 1	Jan 31	Yr ago	*High	*Low
Ordinary Share	2320.3	2319.8	2303.3	2286.4	2260.7	2633.3	2713.6	2238.3
Ord. div. yield	4.52	4.51	4.54	4.57	4.63	3.53	4.66	3.43
Earn. yld. % full	6.64	6.63	6.65	6.70	6.78	4.00	6.84	3.82
P/E ratio net	17.88	17.90	17.81	17.67	17.45	31.56	33.43	16.91
P/E ratio nil	16.93	16.97	16.86	16.74	16.53	29.26	30.90	16.37

*For 1994/5. Ordinary Share Index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share Index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2330.6	2325.9	2322.6	2322.2	2323.6	2323.5	2322.5	2324.0	2320.6	2330.6	2320.1

	Feb 6	Feb 3	Feb 2	Feb 1	Jan 31	Yr ago
SEAQ bargains	23,169	21,316	19,842	20,707	17,602	54,033
Equity turnover (£m)†	-	2276.8	1447.8	1613.6	1153.3	2074.0
Equity bargains†	-	31,175	26,367	27,445	24,000	57,556
Shares traded (ml)†	-	779.3	569.1	625.1	471.1	786.3

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		1994/95 Highs and lows*		LIFFE Equity options	
Total Rises	893	Total Highs	37	Total contracts	33,572
Total Falls	367	Total Lows	72	Calls	16,645
Same	1664			Puts	16,927

Feb. 6 *Data based on those companies listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3077.0	3089.0	+5.0	3083.0	3061.0	6309	59220
Jun	3079.0	3078.5	+5.0	3079.0	3073.0	3	5590
Sep		2102.5	+5.5			0	36

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3405.0	3395.0	-10.0	3405.0	3405.0	11	4044

■ FT-SE 100 INDEX OPTION (LIFFE) (*3061) £10 per full index point

	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P
Feb	172	2½	125	4	79½	10	41½	23½	16	49	5	94	1	144	1	194
Mar	181	13½	138½	21	99½	32	67	50	42½	75½	24	108	12	148½	5½	196
Apr	193½	29	158	42	121½	57½	91½	77½	66½	102½	46	131½	30½	169½	19½	208½
May	210	38½	173½	51½	142	69½	113	99	88½	115½	66½	144	49½	176	35½	215
Jun†	222	49			157	82			102½	128½			82½	188		

Calls 6,591 Puts 5,584

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2875 C	2875 P	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P
Feb	196½	2	147½	3	101	6	58½	13½	26½	31½	9½	64½	3	107½	1	155½
Mar	201	9	157	14½	117	23½	82	38	53	59	31½	87	17	122	7½	162½
Apr	208½	20½	170	31½	135½	48½	106	65	78	88½	57½	118	40½	148½	27½	185
Jun			208	58½			145	92½			94	139½			57	200
Sep†			253	82½			192½	118½			141½	163			98½	217

Calls 2,535 Puts 7,871 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994/95 High	1994/95 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
$10	F.P.	34.2	625	585	First Russian Fr	570		-	-	-	-
-	F.P.	34.1	98	93	Gartmore Mic Ind	98		-	-	-	-
-	F.P.	2.91	41	38	Do. Warrants	41		-	-	-	-
-	F.P.	27.8	55	51¾	Lazard Birla India	53½	+½	-	-	-	-
-	F.P.	3.23	32½	29¾	Do Warrants	31		-	-	-	-
35	F.P.	22.1	36	34	MCIT S Cap	34		-	-	-	-
35	P.P.	23.4	36	36	MCIT S Inc	36		-	-	-	-
100	F.P.	40.5	94	80	Matheson Lloyds	81		-	-	-	-
-	F.P.	19.0	130	95	Pentex Oil	95		-	-	-	-
-	F.P.	4.20	10½	10½	Wessex Trust	10½		-	-	-	-
-	F.P.	262.1	128	118	Woodchester Units	125		-	-	-	-

FT GOLD MINES INDEX

	Feb 3	% chg on day	Feb 2	Feb 1	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1705.63	-0.6	1715.27	1673.81	2213.88	2.24	2357.90	1637.81
■ Regional Indices								
Africa (16)	2683.81	+2.0	2630.31	2577.80	2925.51	5.12	3711.87	2304.45
Australasia (7)	1960.72	-2.2	2004.82	1943.81	2865.56	0.85	2865.58	1943.81
North America (11)	1379.75	-1.7	1403.70	1368.29	1894.04	0.82	1911.21	1348.18

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Predecessor Gold Mines Index: Feb 6 : 203.4 ; day's change: -2.3 Year ago: 219.4 † Partial.
Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Feb 6	Day's chge%	Feb 3	Feb 2	Feb 1	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3062.0	+0.1	3059.7	3034.7	3017.3	3419.1	4.24	7.26	16.30	4.32	1170.72
FT-SE Mid 250	3395.8	+0.2	3390.2	3383.8	3377.7	4077.1	3.74	6.48	18.42	9.13	1282.81
FT-SE Mid 250 ex Inv Trusts	3401.7	+0.1	3398.0	3393.9	3388.3	4092.8	3.89	7.01	17.14	9.24	1283.24
FT-SE-A 350	1525.1	+0.1	1523.7	1513.4	1506.1	1731.7	4.12	7.08	16.73	2.59	1193.60
FT-SE-A 350 Higher Yield	1548.4	-0.1	1549.7	1539.1	1530.2	1740.7	5.16	7.59	15.78	3.46	996.34
FT-SE-A 350 Lower Yield	1501.5	+0.3	1497.3	1487.3	1481.5	1679.3	3.08	6.57	17.82	1.74	990.92
FT-SE SmallCap	1714.73	+0.1	1712.38	1710.44	1708.90	2055.08	3.39	6.49	19.34	3.48	1342.97
FT-SE SmallCap ex Inv Trusts	1691.66	....	1691.17	1690.64	1689.31	2028.58	3.59	7.28	17.44	3.63	1329.55
FT-SE-A ALL-SHARE	1508.21	+0.1	1506.71	1497.19	1490.41	1719.48	4.07	7.04	16.91	2.60	1200.39

■ FT-SE Actuaries All-Share

	Feb 6	Day's chge%	Feb 3	Feb 2	Feb 1	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(25)	2670.07	-0.1	2671.50	2659.39	2641.78	2616.99	3.52	5.07	24.93	0.00	1077.96
12 Extractive Industries(7)	3534.47	-1.0	3571.34	3586.04	3589.71	3915.74	3.43	5.51	22.45	0.00	975.31
15 Oil, Integrated(3)	2667.69	....	2666.65	2653.84	2630.95	2536.76	3.65	5.62	22.14	0.00	1101.65
16 Oil Exploration & Prod(15)	1941.20	+1.1	1920.61	1904.85	1899.22	1971.18	2.52	‡	‡	0.00	1123.14
20 GEN INDUSTRIALS(278)	1803.54	+0.1	1800.89	1789.48	1781.27	2190.67	4.33	5.91	20.22	1.65	928.52
21 Building & Construction(38)	948.72	....	948.97	950.15	948.06	1525.23	4.09	6.52	20.01	0.00	749.10
22 Building Matls & Merchs(31)	1732.75	+0.7	1720.35	1706.11	1691.97	2318.17	4.40	6.38	18.92	0.20	824.75
23 Chemicals(23)	2200.83	....	2201.78	2202.14	2192.88	2468.26	4.29	4.94	25.12	0.50	933.56
24 Diversified Industrials(17)	1771.53	+0.3	1766.94	1755.62	1752.13	2174.56	5.26	6.42	17.97	3.06	918.85
25 Electronic & Elect Equip(36)	1884.11	+0.1	1882.78	1843.09	1823.24	2236.34	4.03	6.84	17.40	2.01	932.01
26 Engineering(72)	1731.82	-0.1	1732.72	1724.37	1712.51	1987.47	3.49	5.65	20.78	2.87	999.93
27 Engineering, Vehicles(13)	2051.72	+0.4	2044.20	2040.93	2031.32	2432.14	4.88	1.69	80.00†	0.18	1004.44
28 Paper, Pckg & Printing(27)	2682.92	-0.3	2692.13	2692.26	2705.91	2897.97	3.35	5.97	19.36	0.17	1062.22
29 Textiles & Apparel(21)	1476.48	....	1476.84	1459.82	1454.71	2006.09	4.59	6.64	19.56	0.17	845.43
30 CONSUMER GOODS(96)	2861.77	-0.1	2863.78	2839.33	2812.09	2962.03	4.27	7.14	16.35	9.58	997.94
31 Breweries(15)	2232.89	+0.2	2228.69	2212.74	2205.65	2298.90	4.29	8.06	14.87	10.38	1022.22
32 Spirits, Wines & Ciders(10)	2577.96	+0.1	2574.31	2564.41	2546.06	3110.72	4.42	7.63	15.48	26.30	880.23
33 Food Producers(24)	2328.29	-0.3	2334.62	2320.21	2321.45	2526.22	4.24	7.56	16.70	14.23	996.69
34 Household Goods(10)	2509.78	-0.2	2514.89	2492.33	2485.47	2846.87	3.55	6.66	18.07	0.45	909.39
36 Health Care(18)	1590.33	+0.5	1583.10	1591.98	1581.30	1867.92	3.14	3.47	40.03	0.58	929.07
37 Pharmaceuticals(13)	3514.13	-0.3	3523.10	3464.15	3401.76	3101.45	3.94	6.12	18.94	0.00	1127.29
38 Tobacco(2)	3741.77	+0.2	3733.43	3745.43	3707.00	4328.77	5.74	9.74	11.21	0.00	853.53
40 SERVICES(231)	1857.75	+0.2	1854.53	1851.06	1845.36	2130.18	3.38	7.31	16.53	3.90	922.67
41 Distributors(32)	2272.58	-0.6	2286.42	2263.82	2269.70	3218.94	4.11	13.68	8.85	1.53	794.61
42 Leisure & Hotels(29)	2087.42	+0.3	2081.06	2080.17	2068.82	2303.75	3.45	5.74	20.85	8.89	1039.41
43 Media(43)	2764.50	+0.5	2750.44	2739.07	2730.31	3244.25	2.55	6.67	20.68	1.92	963.25
44 Retailers, Food(16)	1806.52	-0.1	1807.17	1795.61	1785.44	1583.14	3.65	8.88	13.80	2.54	1091.18
45 Retailers, General(45)	1531.97	+0.2	1528.52	1525.09	1521.20	1798.17	3.50	7.80	16.31	5.11	838.58
48 Support Services(38)	1443.12	-0.4	1449.20	1462.47	1460.66	1824.91	2.92	6.68	17.64	0.69	884.25
49 Transport(21)	2164.88	+0.3	2157.63	2164.82	2156.94	2774.14	3.93	7.02	16.84	3.32	856.37
51 Other Services & Business(7)	1206.19	+0.6	1199.34	1194.84	1196.58	1338.01	3.71	4.60	29.33	4.76	1050.64
60 UTILITIES(37)	2363.51	+0.3	2356.16	2338.05	2337.82	2687.17	4.55	7.88	15.46	6.79	931.21
62 Electricity(17)	2394.31	+0.3	2387.91	2401.56	2407.49	2556.25	4.11	10.56	11.29	19.89	1024.66
64 Gas Distribution(2)	2022.85	-0.8	2039.09	2049.05	2024.09	2257.50	6.92	‡	‡	0.00	950.11
66 Telecommunications(5)	2036.92	+0.7	2022.42	1972.94	1976.81	2380.14	4.01	7.34	16.65	0.00	884.02
68 Water(13)	1672.81	+0.3	1667.96	1674.06	1675.05	2086.06	5.98	14.35	7.61	4.62	852.98
69 NON-FINANCIALS(666)	1636.57	+0.1	1634.82	1625.30	1617.33	1826.41	4.04	6.78	17.71	3.29	1171.29
70 FINANCIALS(110)	2105.44	-0.1	2106.87	2088.33	2082.09	2650.97	4.63	9.63	12.17	0.39	840.79
71 Banks, Retail(9)	2767.10	+0.2	2761.93	2727.32	2717.71	3458.03	4.42	10.20	11.17	0.00	833.30
72 Banks, Merchant(6)	3079.99	-0.6	3103.31	3068.36	3086.18	3683.52	3.61	9.06	12.89	0.00	935.45
73 Insurance(27)	1152.84	-0.3	1156.20	1148.99	1150.58	1520.44	5.73	10.22	11.16	0.51	797.49
74 Life Assurance(6)	2318.50	-0.3	2324.88	2291.40	2276.18	2753.30	5.51	8.04	15.18	0.00	897.29
77 Other Financial(23)	1845.39	-0.1	1847.76	1849.88	1845.05	2209.19	4.04	8.09	14.62	2.11	998.06
79 Property(46)	1363.69	-0.5	1370.44	1373.91	1367.06	1847.72	4.41	7.80	16.05	0.67	791.65
80 INVESTMENT TRUSTS(133)	2611.56	+0.7	2594.47	2577.00	2570.06	3062.10	2.39	2.04	48.96	4.84	884.00
89 FT-SE-A ALL-SHARE(918)	1508.21	+0.1	1506.71	1497.19	1490.41	1719.48	4.07	7.04	16.91	2.60	1200.39
FT-SE-A Fledgling	986.10	+0.1	985.59	985.37	985.55	-	2.90	- -	-	2.05	998.14
FT-SE-A Fledgling ex Inv Trusts	988.32	....	988.39	988.58	986.86	-	3.08	-	-	2.20	990.50

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3076.0	3070.6	3064.3	3062.4	3066.2	3065.9	3064.8	3067.7	3061.7	3075.0	3061.6
FT-SE Mid 250	3396.1	3396.8	3395.3	3396.9	3398.0	3398.1	3397.8	3397.2	3395.4	3398.2	3395.0
FT-SE-A 350	1530.4	1528.5	1526.0	1525.4	1527.0	1526.9	1526.4	1527.51	525.0	1530.4	1524.9

Time of FT-SE 100 Day's high: 8.30am Day's low: 10.50am. FT-SE 100 1994 High: 3520.3(2/2/94) | Low: 2876.6(24/6/94).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	888.8	888.9	886.1	887.7	887.9	888.4	888.4	888.4	888.8	888.8	887.7	+1.1
Pharmaceuticls	3504.0	3497.0	3486.6	3483.4	3488.2	3490.0	3488.2	3489.8	3485.0	3485.59	3494.9	-9.4
Water	1666.9	1667.8	1669.3	1670.3	1670.3	1670.6	1670.6	1669.0	1666.4	1666.7	1661.8	+4.9
Banks, Retail	2818.1	2812.7	2807.0	2798.9	2808.6	2808.2	2805.6	2809.2	2802.2	2802.4	2797.2	+5.2

Additional Information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.

"FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. DELETION: Portals Group (28).

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	121	350½	+½
ASDA Group†	6,300	67¼	
Abbey National†	2,300	423	-6
Albert Fisher	771	45	
Allied Domecq†	501	520	-1
Anglian Water	508	485	+1
Argos	417	347	+1
Argyll Group†	1,300	279	+2
Arjo Wiggins†	542	222	-1
Assoc. Brit. Foods†	624	598	+3
Assoc. Brit. Ports	1,300	272	-3
BAA†	2,300	454	+1
BAT Inds.†	1,600	449	+1
BET	4,000	104½	+½
BICC	2,600	321	+4
BOC†	647	718	+5
BP†	8,300	418½	-3
BPB Inds.	370	321	+3
BT†	5,800	403½	+1
BTR†	4,600	304	
Bank of Scotland†	978	203	-4
Barclays†	4,700	592	+1
Bass†	1,600	540	+2
Blue Circle†	3,800	292	+5
Booker	351	384	-5
Boots†	2,000	487	-4
Bowater†	1,500	403	-4
Brit. Aerospace†	2,400	485	+3
British Airways†	5,600	374	+4½
British Gas†	1,700	306	-2½
British Land	640	373	-3
British Steel†	7,800	153½	-1¼
Bunzl	824	186	+1
Burmah Castrol†	434	828	+1
Burton	4,600	72¼	+1½
Cable & Wire†	6,500	396	+2½
Cadbury Schweppes†	4,200	410	+3¼
Caradon†	1,000	240	+3
Carlton Comms.†	572	879	+6
Coats Viyella	1,600	181	
Comm. Union†	842	493	-4
Cookson	1,500	219	
Courtaulds†	428	417	+1
Dalgety	529	414	-5
De La Rue†	301	1009	+3
Dixons	5,400	213	+4
Eastern Elect.†	1,300	882	-6
East Midland Elect.	318	734	-7
Electrocomps	399	462	+3
Eng China Clays	78	371	
Enterprise Oil†	351	407	+1
Eurotunnel Units	380	293	+6
FKI	887	142½	-2½
Fisons	1,400	108	
Foreign & Col. I.T.	1,300	131½	-½
Forte†	2,700	244	+5½
Gen. Accident†	771	515	
General Elect.†	8,900	289½	-1
Glaxo†	5,600	661	-5
Glynwed	238	304	
Granada†	3,400	499	+2
Grand Met.†	4,100	375	+2
GUS†	1,100	532	+4
GRE†	840	175	+1
GKN†	1,300	556	
Guinness†	2,800	427½	-½
HSBC (75p shs)†	8,800	671	+19
Hammerson	185	319	
Hanson†	4,900	235½	+¼
Harrisons Crosfield	1,400	137	+1
Hays	227	268	+1
Hillsdown	883	175	
IMI	431	390	
ICI†	1,800	738	-8
Inchcape†	1,000	309	-8
Johnson Matthey	618	519	+1
Kingfisher†	686	427	+3½
Kwik Save	590	558	-8
Ladbroke†	2,400	168	-1
Land Securities†	1,400	570	-6
Laporte	4,400	670	+12
Legal & General†	1,500	444	+4
Lloyds Abbey	677	359	-2
Lloyds Bank†	2,100	545	-5
LASMO	3,800	156	+5
London Elect.	533	875	-10
Lonrho	1,900	152	+½
Lucas	623	188	
MEPC†	153	373	-8
MFI	1,300	124	-3½
Manweb	69	787	+7
Marks & Spencer†	3,000	389½	+2½
Midlands Elect.	705	732	-4
Morrison (Wm.)	2,500	140	-2
NFC	2,100	161	
NatWest Bank†	3,500	489	-7
National Power†	2,400	480	+5
Next	2,900	254	-4
North West Water†	384	490	+2
Northern Elect.	287	955	-3
Northern Foods	386	205	
Norweb	111	793	
Pearson†	1,100	590	+7½
P & O†	848	570	-4
Pilkington	384	148	
PowerGen†	1,600	511	-1
Prudential†	2,300	299½	-3½
RMC†	191	838	+4
RTZ†	2,300	768	-10
Racal	349	220	
Rank Org.†	2,500	378	+2
Reckitt & Colman†	953	639	-1
Redland†	1,800	429½	+½
Reed Intl.†	947	745	+6
Rentokil†	1,100	217	-3
Reuters†	4,700	480	+2
Rolls Royce†	2,800	160	+½
Ryl Bk Scotland†	788	392	-5
Royal Insurance†	1,800	274	-1
Sainsbury†	1,000	430	-1
Schroders†	8	1473	-12
Scottish & New.†	390	509	+1
Scot. Hydro-Elect.	297	316	+7¼
Scottish Power†	1,700	332	+8
Sears†	1,100	102	
Sedgwick	433	150	-1
Seeboard	592	402	-5
Severn Trent†	291	461	+2
Shell Transport†	4,900	715	+5½
Siebe†	1,700	625	+6
Slough Ests	83	228	-5
Smith (W.H.)	1,100	428	+1¼
Smith & Nephew†	6,000	164½	+¼
SmKl Beecham†	3,900	461	+4
SmKl Beecham Uts.†	1,200	454	+4
Smiths Inds.	483	427	-2
Southern Elect.†	526	715	-8
South Wales Elect.	76	766	+7
South West Water	247	469	+2
South West. Elect.	60	782	-2
Southern Water	368	518	
Standard Chartd.†	5,500	285	+1
Storehouse	778	230	+3
Sun Alliance†	1,000	302	-1
T&N	3,300	157	+6
TI Group†	474	339	+1
TSB†	4,500	247½	-4½
Tarmac	4,100	115	
Tate & Lyle	512	432	
Taylor Woodrow	170	127½	
Tesco†	2,400	252½	-½
Thames Water†	754	494	
Thorn EMI†	694	1049	-1
Tomkins†	8,800	241	+5½
Trafalgar House	2,300	65	+1
Unigate	477	366	+6
Unilever†	1,000	1168	-4
United Biscuits†	3,200	335	+2
Utd. Newspapers	869	487	+1
Vodafone†	17,000	193½	+6
Warburg (SG)†	159	748	-13
Wellcome†	2,300	1018	
Welsh Water	432	593	+5
Wessex Water	163	270	+2
Whitbread†	843	564	-2
Williams Hldgs.†	906	335	+2
Wills Corroon	238	140	-2
Wimpey	401	124	+2
Wolseley†	508	780	+14
Yorkshire Elect.	486	774	+19
Yorkshire Water	908	473	
Zeneca†	983	895	-7

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded.

شكرا من الاهل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 6 / Sch)

BELGIUM/LUXEMBOURG (Feb 6 / Frs.)

CZECH REP (Feb 6 / Korune)

DENMARK (Feb 6 / Kr)

FINLAND (Feb 6 / Mka)

FRANCE (Feb 6 / Frs.)

GERMANY (Feb 6 / Dm.)

GREECE (Feb 6 / Drachma)

ITALY (Feb 6 / Lira)

NETHERLANDS (Feb 6 / Frs.)

NORWAY (Feb 6 / Kroner)

POLAND (Feb 2 / Zloty)

PORTUGAL (Feb 6 / Escudo)

SPAIN (Feb 6 / Pts.)

SWEDEN (Feb 6 / Kronor)

SWITZERLAND (Feb 6 / Frs.)

TURKEY (Feb 6 / Tk Lira)

PACIFIC

JAPAN (Feb 6 / Yen)

HONG KONG (Feb 6 / H.K.$)

INDONESIA (Feb 6 / Rupiah)

MALAYSIA (Feb 6 / MYR)

NEW ZEALAND (Feb 3 / NZ $)

SINGAPORE (Feb 6 / S$)

AUSTRALIA (Feb 6 / Aust$)

SOUTH KOREA (Feb 6 / Won)

TAIWAN (Feb 6 / TW $)

THAILAND (Feb 6 / Baht)

NORTH AMERICA

CANADA

TORONTO (Feb 6 / Can $) 4 pm close

MONTREAL (Feb 6 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Feb 6 / Rand)

INDICES

	Feb 6	Feb 3	Feb 2	1994/5 High		1994/5 Low	
Argentina							
General (29/12/77)	(c)	15206.61	15216.79	25470.49	16/2/94	13936.48	10/1/95
Australia							
All Ordinaries(1/1/80)	1862.9	1847.7	1858.5	2340.60	3/2/94	1830.80	31/1/95
All Mining(1/1/80)	831.5	833.5	840.4	1136.10	3/2/94	828.10	1/2/95
Austria							
Credit Aktien(30/12/84)	362.89	361.34	363.34	469.66	2/2/94	361.34	3/2/95
Traded Index(2/1/91)†	974.83	968.30†	975.44†	1222.25	1/2/94	968.30	3/2/95
Belgium							
BEL20 (1/1/91)	1365.41	1363.63	1352.67	1542.65	9/2/94	1338.39	7/10/94
Brazil							
Bovespa (29/12/83)	(c)	39444.0	38979.0	55110.00	13/9/94	3808.00	3/1/94
Canada							
Metals Minls♦(1975)	(c)	4083.50	4020.20	4926.07	19/1/95	3280.06	20/4/94
Composite♦ (1975)	(c)	4105.05	4061.10	4669.90	23/3/94	3950.90	24/6/94
Portfolio§§ (4/1/83)	(c)	2019.82	1987.73	2182.89	1/2/94	1909.48	28/6/94
Chile							
IPGA Gen (31/12/80)	(c)	5514.5	5476.0	5754.40	21/11/94	3861.28	4/4/94
Denmark							
CopenhagenSE(3/1/83)	354.47	353.43	354.20	416.79	2/2/94	335.66	20/12/94
Finland							
HEX General(28/12/90)	1864.0	1848.8	1814.8	1972.80	4/2/94	1601.10	3/1/94
France							
SBF 250 (31/12/90)	1232.91	1215.41	1202.04	1585.20	2/2/94	1176.82	23/1/95
CAC 40(31/12/87)	1872.11	1842.43	1816.10	2355.93	2/2/94	1772.04	23/1/95
Germany							
FAZ Aktien(31/12/58)	779.43	768.74	765.60	859.27	16/5/94	742.04	5/10/94
Commerzbank(1/12/53)	2213.4	2182.9	2173.3	2465.59	2/5/94	2116.30	5/10/94
DAX (30/12/87)‡	2069.65	2057.99	2045.25	2271.11	16/5/94	1960.69	7/10/94
Greece							
Athens SE(31/12/80)	800.23	811.92	819.82	1194.66	18/1/94	800.23	6/2/95
Hong Kong							
Hang Seng(31/7/64)	7697.80	7478.92	(c)	12201.09	4/1/94	6967.93	23/1/95
India							
BSE Sens.(1979)	3590.24	3638.13	3598.29	4628.57	12/9/94	3411.04	24/1/95
Indonesia							
Jakarta Comp.(10/8/82)	453.14	445.38	440.50	612.88	5/1/94	432.65	25/1/95
Ireland							
ISEQ Overall(4/1/88)	1891.39	1882.47	1865.62	2082.16	20/1/94	1694.14	1/7/94
Italy							
Banca Comm Ital (1972)	680.37	673.40	674.49	817.17	10/5/94	581.64	13/12/94
MIB General (2/1/95)	1075.0	1064.0	1085.0	1075.00	6/2/95	979.00	10/1/95
Japan							
Nikkei 225 (16/5/49)	18667.23	18538.97	18604.30	21552.81	13/6/94	17369.74	4/1/94
Nikkei 300 (1/10/82)	267.47	265.92	268.83	311.71	13/6/94	264.60	23/1/95
Japan							
Topix (4/1/68)	1455.30	1448.38	1455.25	1712.73	13/6/94	1398.88	23/1/95
2nd Section (4/1/68)	1903.82	1904.30	1910.09	2542.85	6/7/94	1873.33	4/1/94
Malaysia							
KLSE Comp.(4/4/86)	971.96	927.26	(c)	1314.46	5/1/94	940.87	24/1/95
Mexico							
IPC (Nov 1978)	(c)	1957.23	1943.88	2881.17	8/2/94	1889.99	31/1/95
Netherland							
CBS TtlRtnGen(End 83)	444.1	443.0	440.0	454.90	31/1/94	408.30	21/6/94
CBS All Shr (End 83)	278.6	277.9	276.1	294.80	31/1/94	257.90	21/6/94
New Zealand							
Cap. 40 (1/7/86)	(c)	1977.67	1969.08	2438.64	3/2/94	1878.09	12/12/94
Norway							
Oslo SE(Ind)(2/1/83)	1145.61	1142.82	1139.01	1211.10	28/2/94	880.91	21/6/94
Philippines							
Manila Comp (2/1/85)	2559.60	2510.99	2457.79†	3308.37	4/1/94	2374.86	24/1/95
Portugal							
BTA (1977)	2774.9	2770.9	2765.7	3228.80	18/2/94	2612.80	20/6/94
Singapore							
SES All-S'pore(2/4/75)	518.53	517.35	512.25	641.61	4/1/94	472.90	23/1/95
South Africa							
JSE Gold (28/9/78)	1602.3♥	1655.2	1623.2	2534.00	7/9/94	1495.20	30/1/95
JSE Ind. (28/9/78)	6550.9♥	6530.5	6478.3	6894.40	30/12/94	5446.09	19/1/94
South Korea							
KoreaCompEx(4/1/80)**	945.27	940.84	943.35	1138.75	8/11/94	855.37	2/4/94
Spain							
Madrid SE (30/12/85)	290.06	288.46	284.70	368.31	31/1/94	275.35	11/1/95
Sweden							
AffarsvaridsGen (1/2/37)	1553.40	1540.20	1531.70	1693.99	31/1/94	1334.70	6/7/94
Switzerland							
Swiss Bk Ind (31/12/58)	1246.30	1234.77	1223.91	1422.34	31/1/94	1136.72	27/10/94
SBC General (1/4/87)	921.78	912.77	904.55	1083.29	31/1/94	876.57	27/10/94
Taiwan							
WeightedPr.(30/6/66)**	6417.28	(c)	(c)	7191.13	30/9/94	5194.63	19/3/94
Thailand							
Bangkok SET (30/4/75)	1330.42	1278.07	1241.53	1753.73	4/1/94	1181.26	23/1/95
Turkey							
Istanbul Cmp.(Jan 1986)	25980.0	25493.3	25814.8	28445.10	2/12/94	12980.70	24/3/94
WORLD							
MS Capital Int (1/1/70)§	615.7*	612.8	609.7	649.90	2/11/94	581.60	4/4/94
CROSS-BORDER							
Eurotrack 100(26/10/90)	1338.28	1324.25	1312.88	1840.19	31/1/94	1286.48	5/10/94
Euro Top-100 (26/6/90)	1187.93	1180.15	1169.36	1311.81	2/2/94	1136.48	5/10/94
JCapitDrps (31/12/88)	(c)	281.23	275.93	395.19	5/1/94	281.46	23/1/95
Barings Emerg.(7/1/92)	145.58	142.63	142.16	181.79	26/9/94	134.87	31/1/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40							
Feb	1868.0	1878.0	+23.0	1885.0	1864.0	18,062	22,617
Mar	1873.5	1885.5	+23.0	1888.5	1872.5	426	22,785
DAX							
Mar	2097.0	2100.5	+11.0	2106.5	2092.5	19,151	N/A
Jun	2124.5	2120.5	+11.5	2126.0	2116.0	3,896	N/A
OMX							
Feb	1190.00	1194.00	+6.50	1194.00	1189.00	3,591	19,844
Mar	1197.50	1197.50	+10.2	1198.25	1198.25	240	1,140
SOFFEX							
Feb	2609.9	2620.1	+25.6	2625.0	2609.0	4,406	14,758
Mar	2621.0	2626.0	+20.0	2621.0	2621.0	21	982

** Sat Feb 4 : Taiwan Weighted Price 6326.38; Korea Comp Ex 951.88. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 28 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Feb 6 - 2085.08 +7.14

US INDICES

Dow Jones	Feb 3	Feb 2	Feb 1	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Industrials	3928.64	3870.77	3847.56	3978.36 (31/1/94)	3593.35 (4/4/94)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	95.43	95.04	95.06	105.61 (21/1/94)	93.56 (30/12/94)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1511.15	1492.29	1493.69	1862.29 (2/2/94)	1371.89 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	195.62	193.05	192.72	227.86 (3/1/94)	173.94 (22/11/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3959.60 (3884.23) Low 3876.16 (3826.38) (Theoretical♦)
Day's high 3944.12 (3871.11) Low 3870.77 (3843.86) (Actual♦)

Standard and Poors	Feb 3	Feb 2	Feb 1	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Composite ‡	478.64	472.78	470.40	482.00 (2/2/94)	438.92 (4/4/94)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	563.89	558.33	555.10	563.89 (3/2/95)	510.05 (21/4/94)	563.89 (3/2/95)	3.62 (21/6/32)
Financial	45.46	44.15	43.32	48.94 (14/6/94)	39.87 (22/11/94)	48.40 (28/8/93)	8.64 (1/10/74)
NYSE Comp.	260.44	257.18	256.00	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	442.43	438.45	436.82	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	772.06	763.64	758.31	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

RATIOS

	Feb 3	Jan 27	Jan 20	Year ago
Dow Jones Ind. Div. Yield	2.73	2.79	2.77	2.82
	Feb 1	Jan 25	Jan 18	Year ago
S & P Ind. Div. yield	2.42	2.43	2.40	2.512
S & P Ind. P/E ratio	18.96	18.90	19.06	26.96

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Telefonos	6,539,600	34¼	+½
EMC Corp	6,029,900	17	-⅛
Ford Motor	5,446,600	25¾	+⅛
Amer Stand	5,255,100	19⅞	—
Pepsi Co	4,785,300	38⅞	+⅞
Wal-Mart	4,506,300	24	+¼
Compaq	4,148,400	36⅜	+⅛
Beverly	3,878,900	13½	-1¼
A T & T	3,846,000	51⅛	+⅞
Citicorp	3,829,200	42⅞	+1⅞

TRADING ACTIVITY

● Volume (millions)

	Feb 3	Feb 2	Feb 1
New York SE	440.949	322.032	365.305
Amex	18.004	15.626	16.928
NASDAQ	358.758	269.973	288.258
NYSE			
Issues Traded	2,933	2,925	2,913
Rises	1,851	1,289	1,258
Falls	526	896	926
Unchanged	556	740	729
New Highs	94	44	47
New Lows	38	37	39

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
S&P 500							
Mar	480.60	480.50	-0.55	481.05	480.40	97,052	199,857
Jun	484.45	484.55	-0.40	484.70	484.25	3,424	15,959
Nikkei 225							
Mar	18710.0	18730.0	+120.0	18760.0	18650.0	22,885	122,741
Jun	18770.0	18790.0	+110.0	18800.0	18710.0	1,057	6,729

Open interest figures for previous day.

† Corrected ATX figs for Feb 3, Feb 2 & Feb 1(886.10). * Calc at 15.00 GMT. ● Excl bonds. ‡ Indl. plus Utilities, Fnl and Transp. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994/95, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

TOKYO - MOST ACTIVE STOCKS: Monday, February 6, 1995.

	Stocks Traded	Closing Prices	Change on day
Penta Ocean	18.2m	937	+32
Fudo Const	14.2m	1,350	+40
Mitsui Co	8.3m	780	-4
Sumitomo Const	7.2m	775	+14
Toyo Const	7.2m	779	+12
Aoki Corp	6.9m	649	+20
Nichirei Corp	5.0m	655	+5
NEC Corp	4.0m	970	-11
Daibiru Corp	3.6m	1080	
Terumo Corp	3.6m	830	+10

4 pm close February 6

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994/95 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17¾	11⅞	AAR	0.48	3.6	24	141	13⅝	13½	13½	
21⅞	12⅝	A L Labs A	0.18	0.9	47	265	20⅝	20	20⅞	+⅞
79⅝	57⅝	AMP	1.84	2.6	20	3522	71⅞	70⅛	71	+½
72¾	49⅛	AMR			25	1563	58	57⅛	57¼	-¾
58⅛	38⅝	ASA	1.71	3.9	29	758	44⅛	43½	43⅞	-¼
35⅞	25⅝	AbbtL	0.76	2.1	19	10335	u36	34⅝	35⅝	+1
15¾	11⅜	Abitibi Pr	0.50	3.7	12	100	13¾	13½	13½	-⅛
24⅜	17¾	ABM Ind	0.60	2.5	14	32	23⅞	23⅝	23⅝	-⅛
18	11⅛	Acapulco			12	148	16¼	15¾	16	
31	20¾	ACE Ltd	0.44	1.8	8	393	25	24¾	24⅞	+⅛
12½	9	ACM Gvt In x	1.09	11.5	8	211	9½	9⅜	9½	+⅛
10⅛	6⅞	ACM GvOpp x	0.80	11.2		93	7¼	7⅛	7⅛	-⅛
10⅝	6¾	ACM Gvt Sp x	0.96	13.2		254	7¼	7⅛	7¼	
12	7⅝	ACM Gvt Se x	1.09	13.1		219	8½	8⅜	8⅜	-⅛
11⅜	7⅜	ACM Man x	1.08	13.7		334	7⅞	7⅝	7⅞	+⅛
9¼	7⅛	ACM Mangd x	0.72	9.8		25	7½	7⅜	7⅜	
16¼	8¾	AcmeCly	0.48	3.0	9	258	15¾	15⅜	15¾	+⅛
19⅞	6½	Acme Elect			21	862	u21	19⅛	20¼	+1½
33½	23	Acordia	0.60	1.8	16	7	32½	32⅜	32½	
13¾	6¾	Actava	0.36	3.9	2	412	9⅜	9¼	9¼	-⅛
18⅞	11¼	Acuson			27	730	16¾	16¼	16½	
18⅞	15½	Adams Expr	0.36	2.2	0	203	16¼	16	16¼	+⅛
64½	46½	Ad Micro	3.00	4.7		1104	63⅝	62	63⅜	-¼
32¼	16¾	AdvMic	3.00	9.5	9	14203	31¾	30⅞	31⅝	+¼
6⅞	5	Advest Grp	0.16	2.7	29	545	5⅞	5¾	5⅞	
20	16	Advo Inc	0.10	0.5	15	402	18¾	18	18¾	+¾
68⅛	49⅜	Aegon ADR	1.47	2.3	12	2	64⅝	64⅝	64⅝	+⅛
5	3¾	Aeroflx			7	25	4	3⅞	3⅞	
65¾	42¼	AetnaL	2.76	5.3	6	5596	51⅞	50¾	51¾	+1¼
36⅞	25¼	Aflac	0.46	1.2	13	3163	u37⅜	36¼	37⅛	+⅞
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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NYSE C

AMEX COM

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4 pm close February 6

NYSE COMPOSITE PRICES

Continued from previous page

1994/95 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
35⅛	30⅛	SFePPipe	2.80	8.1	8	33	34¾	34⅝	34¾	+⅛
26¼	12⅛	SanFeP	0.10	0.5	18	22830	19¼	18¾	19¼	+¼
26¼	19⅝	SaraLee	0.68	2.6	54	3068	26⅝	26½	26⅝	
50⅛	41	Scana Corp	2.82	6.2	13	296	45⅛	44½	45⅛	+½
20½	12½	Scecorp	1.00	6.2	10	4409	16½	16¼	16¼	-¼
13⅜	9¼	SchawkA	0.26	2.7	34	14	9⅝	9¾	9¾	-⅛
45½	37¾	ScheringP			30	2707	u48¼	45¼	48	+2⅝
78⅞	54½	SchrPl	2.04	2.6	16	4793	78¼	77⅛	78¼	+1⅜
63	50	Schlmb	1.20	2.2	24	6759	55¼	53⅞	54¾	+⅞
44¾	23¾	Schwab(C)	0.36	0.8	18	2285	43½	42¾	43⅛	-⅜
10¾	6⅛	Schwitzer			6	27	8⅞	8⅝	8⅞	+⅛
22¾	12½	SciAtl	0.06	0.3	27	1546	21½	21	21½	+¼
18¼	13	Scotman	0.10	0.6	12	42	17½	17⅛	17½	+⅜
74⅞	37¼	ScottP	0.80	1.1	21	3301	u76	74½	75½	+¼
31	23	Scripps	0.44	1.5	18	381	29⅝	29⅞	29⅝	+⅜
29⅝	15⅞	ScuddrNAsF	0.02	0.1		130	17⅝	17⅛	17½	+¼
12⅝	8¾	ScuddrNEuF	0.16	1.8		386	9¼	9	9⅛	
18⅛	12	SeaCnB	0.70	4.9	8	5	14¼	14¼	14¼	
16½	14¼	SeaC1.4625	1.46	9.5		2	15⅝	15⅜	15⅜	
28	22⅞	S'gate			7	1786	28½	28	28½	+⅜
32⅝	26¼	Seagrm	0.60	2.0	14	4618	30¼	29⅝	30⅛	+⅜

NASDAQ NATIONAL MARKET

4 pm close February 6

AMEX COMPOSITE PRICES

4 pm close February 6

AMERICA

US stocks steady at midsession

Wall Street

US shares were steady yesterday morning, near the highs achieved after Friday's buying spree, *writes Lisa Bransten in New York*.

At 1 pm the Dow Jones Industrial Average was up 3.02 at 3,931.66. The Standard & Poor's 500 climbed 1.33 at 479.98, and the American Stock Exchange composite rose 0.37 to 442.80. The Nasdaq composite gained 4.68 at 776.74. Volume on the NYSE was 179m shares.

Friday brought industrial shares close to the barrier of 4,000 in intraday trading as shares rose more than 70 points before falling back by the close to end up nearly 59 points. Yesterday morning, however, traders found insufficient momentum to stage another rally.

The Dow was also held back by cyclical shares, which are overweighted in the index and did not advance by as much as consumer shares. Among the weakest issues in the Dow was Aluminum Company of America, which lost $3½ at $80¾.

Shares on the Nasdaq jumped more than 0.6 per cent led by a soaring bank issue and gains in parts of the technology sector.

Michigan National, posted the largest gain on the Nasdaq. Shares in the US-based bank were up $13¼ at $101⅝ on news that National Australia Bank would purchase it for $1.56bn or $110 per share.

Harley Davidson, the motorcycle manufacturer lost $1⅜ at $25⅝ after the chief executive said that this year's operating margins might fall below the 14.1 per cent recorded in 1994.

Procter & Gamble put on $1¼ at $66¼ after the consumer goods company amended a suit against Bankers Trust to include a second derivatives transaction that the bank had carried out on its behalf. The new complaint was to be added to a suit filed by Procter & Gamble against Bankers Trust last October. Bankers Trust was unchanged at $64½.

Kellogg gained $⅝ at $54¼ after the food company said it planned to cut 300 to 350 jobs as part of a plan to boost productivity. H.J. Heinz lost $⅜ at $39¼ after announcing that it would buy US pet food operations from Quaker Oats. Quaker rose $¼ to $34.

Canada

Toronto was easier at midday as trade remained light. The TSE 300 composite index declined 4.84 to 4,100.21 in turnover of C$26.1m.

The metals and minerals index was off 121.68 at 3,961.82 and gold off 49.65 at 8,584.32.

Mexico

Mexican shares were lower in late morning trade as investors prepared themselves for what are expected to be disappointing 1994 company earnings reports. The IPC index was 29.48 or 1.5 per cent down at 1,927.75 in volume of 14.3m shares.

Brazil

São Paulo was 2.1 per cent down in early afternoon trade as the market continued to focus on government talks with political party leaders on President Fernando Henrique Cardoso's charter reform proposals, which will be sent to congress on February 16.

The Bovespa index was 812 weaker at 38,632.

Financial rand exerts pull

South African stocks turned easier as a stronger financial rand and lacklustre gold bullion price helped to reverse an early rally. Industrials came off morning highs in late trade. The overall index was finally 7.9 down at 5,332.3, the industrial index gained a net 14.5 at 6,544.4 and gold shares relinquished 52.9 at 1,602.3.

Anglos, following initial firmness, ended R1 lower on the day at R201, Minorco added 50 cents at R90.50, and Samancor was R2 dearer at R55 ahead of an improved half-year dividend.

Elsewhere, Vaal Reefs fell R15 to R300, Western Areas shed R1.25 to R55 and Oryx put on 5 cents at R3.70.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1994
Austria	-2.45	-7.95	-22.28	-19.32	-13.52	-8.53
Belgium	+0.73	-1.12	-11.63	-9.96	-1.98	+3.69
Denmark	+2.14	-0.38	-15.32	-8.26	-2.20	+3.64
Finland	+1.29	-0.66	+3.93	+25.09	+45.00	+53.36
France	+1.60	-2.02	-20.65	-17.62	-13.17	-8.15
Germany	+1.08	-0.71	-7.99	-11.67	-4.91	+0.58
Ireland	+1.46	-1.06	-4.55	+3.26	+7.25	+13.44
Italy	+2.16	+6.45	+2.74	+11.57	+11.93	+18.38
Netherlands	-0.06	+0.13	-6.43	-2.83	+4.37	+10.39
Norway	+1.67	+2.00	-5.44	+6.11	+12.93	+19.44
Spain	+2.20	+2.28	-18.84	-11.80	-10.12	-4.93
Sweden	+1.34	+1.68	-0.02	+9.80	+15.70	+22.38
Switzerland	+1.81	-1.29	-16.29	-10.59	-2.70	+2.92
UK	+1.12	-0.41	-13.18	-10.56	-10.57	-5.40
EUROPE	+1.25	-0.21	-12.21	-9.17	-5.65	-0.19
Australia	-0.89	-0.63	-18.73	-12.57	-8.34	-3.04
Hong Kong	+3.16	-2.23	-37.81	-38.69	-42.08	-38.74
Japan	+2.95	-5.94	-10.28	-0.03	+5.82	+11.93
Malaysia	+6.66	-4.11	-20.88	-28.29	-28.48	-24.35
New Zealand	+2.04	+5.62	-14.80	-4.69	+2.57	+8.50
Singapore	+4.00	-6.13	-10.74	-14.28	-10.57	-5.41
Canada	+1.38	-0.94	-6.23	-1.35	-11.95	-6.86
USA	+1.82	+4.01	+0.32	+3.31	-2.33	+3.31
Mexico	+0.47	-11.33	-25.71	-20.08	-56.74	-54.25
South Africa	+3.90	-8.27	+6.97	+7.60	+7.49	+13.70
WORLD INDEX	+2.05	-0.74	-8.13	-3.42	-3.37	+2.21

† Based on February 3, 1995. Copyright, The Financial Times Limited, Goldman, Sachs & Co, and NatWest Securities Limited.

EUROPE

Interest rate hopes provide support for bourses

Continental bourses took the view that the long-running round of US interest rate increases could be over, *writes Our Markets Staff*.

PARIS built on Friday's rise, with the CAC 40 index finishing 29.68 or 1.6 per cent ahead at 1,872.11. Turnover was some FFr3.6bn.

Eridania Béghin-Say, the food and sugar group, up FFr36 or 5 per cent to FFr762, but off a high of FFr798, was supported by weekend comments that Ifil, of Italy, might mount a bid if Montedison were to dispose of its stake.

Financial issues had a good run: Bancaire rose FFr16 to FFr497.50, and UAP FFr5 or 4 per cent to FFr130.9 in spite of noting that 1994 earnings would not reach an earlier target of 30 per cent growth. Brokers said that this news had already been discounted.

Pinault-Printemps-Redoute improved FFr35 or 3.5 per cent to FFr1,018 after reporting estimated 1994 profits of some FFr1.2bn, more than double the figure in 1993.

FRANKFURT maintained its momentum, and the Dax index closed with an advance of 31.70 or 1.5 per cent at 2,089.69 in turnover of DM6.2bn.

The Ibis indicative index finished at 2,085.08.

Chemicals maintained strength, and improved in late trading on institutional interest, with Basf up DM10.30 at DM330.50, Bayer ahead DM8.10 to DM364.10 and Hoechst DM6.40 up at DM326.60.

In the automotive sector, Continental was DM2.30 higher at DM230.80 as Lehman Brothers turned positive on the tyre sector. Mr Chris Will, who raised his rating on Michelin as well, said the industry would benefit from capacity shortages enabling it to lift prices. Benefits would also flow from strength in the replacement tyre area, which accounted for some 80 per cent of revenue.

ZURICH was lifted by the dollar's continued strength, firmer bonds and gains on other European bourses, and the SMI index moved up 32.0 or 1.2 per cent to 2,621.4.

The drugs sector continued to benefit from recent buy recommendations, with Roche certificates rising SFr135 to SFr6,750. Ciba gained SFr17 at SFr813 and Sandoz added SFr18 at SFr691.

Among cyclicals, Alusuisse rose SFr3 to SFr653 after Friday's better than expected 1994 results and dividend increase.

Holderbank moved ahead SFr15 to SFr967, recouping some of last week's loss.

UBS picked up another SFr13 to SFr1,037 in a continuation of its technical rebound, while CS Holding added SFr9 at SFr538.

SMH rose SFr15 to SFr820. Ms Felicity Smith at ABN-Amro Hoare Govett, who recommended the stock, noted that the shares had fallen by some 40 per cent and underperformed the Swiss market by 30 per cent over the past year. This had fully discounted a weak 1994, she said, and was over discounting fears of declining Swatch sales and worries over the Swatchmobile car project, making the stock one of the cheapest consumer plays on the market.

AMSTERDAM strengthened, with the AEX index moving forward 0.88 to 413.42.

Philips improved 40 cents to Fl 54.80 after announcing that it had reached an agreement with the Polish government to set up another lighting company in the country. Akzo Nobel also put on 40 cents, at Fl 196.40, and said that it was buying a US unit of BASF.

CSM, the food group, was one of the best supported stocks, rising Fl 1.00 to Fl 67.10, as investors welcomed its announcement that it expected higher net profit per share in the current fiscal year.

Borsumij, the trading group, rose 80 cents to Fl 27.90 after reporting a preliminary net profit for 1994 of more than 20 per cent.

KNP BT, up 50 cents to Fl 53.90, said after the close that it had returned to the black in 1994.

MILAN finished flat, inhibited by technical deadlines which fall on Friday. The Comit index recorded a gain of 6.97 at 680.37, while the real-time Mibtel index closed unchanged at 10,816, off a high of 10,920.

Fiat fell L79 to L6,611 on profit-taking after last week's good results but Pirelli gained another L64 to L2,436 on growing hopes for its 1994 results. However, analysts warned that the shares, star performers in recent sessions, may not have much room for further advances in the absence of clear signs of recovery in its main tyre and cables markets.

Banks were mostly lower as the recent takeover fever subsided. Credito Italiano was L31 down at L1,997 as it announced that its public offer for 78 per cent of Credito Romagnolo was 123 per cent oversubscribed.

Montedison picked up L10 to L1,294 as it reaffirmed that it had no plans to dispose of its stake in its French based foods holding, Eridania Béghin-Say.

Among firmer telecommunications shares, Stet rose L32 to L5,133 as JP Morgan initiated coverage with a buy recommendation, saying it expected that the company would report earnings growth of 10 per cent a year over the next four years.

VIENNA was lifted by optimism at the weekend as progress was made in the government's budget negotiations.

The ATX index recovered 6.53 or 0.7 per cent to 974.83, after a fall of 2.3 per cent last week.

Traders said an agreement on a savings plan with the country's three main civil service groups, announced on Sunday, gave equities a boost.

Creditanstalt was supported by reports late on Friday that a consortium led by insurer EA Generali had offered to buy the government's 70 per cent stake. Preferred shares were up Sch8 or 1.4 per cent at Sch600, ordinary shares were ahead Sch7 or 1.2 per cent at Sch611 and participation certificates were up Sch35 or 2 per cent at Sch1,775.00.

STOCKHOLM's Affärsvärlden general index advanced 18.20 to 1,553.4.

Ericsson moved forward SKr8.5 or 2.1 per cent to SKr420 ahead of its 1994 preliminary report due on Thursday.

Written and edited by John Pitt and Michael Morgan

FT-SE Actuaries Share Indices

Feb 6 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1335.72	1335.91	1335.75	1336.45	1338.93	1338.54	1338.40	1338.28
FT-SE Eurotrack 200	1393.41	1393.14	1393.43	1393.87	1394.11	1392.82	1395.04	1396.17

	Feb 3	Feb 2	Feb 1	Jan 31	Jan 30
FT-SE Eurotrack 100	1324.25	1312.88	1313.47	1297.31	1304.40
FT-SE Eurotrack 200	1383.84	1375.16	1373.89	1358.76	1363.04

Base 1000 (26/10/90); High/day: 100 - 1339.82; 200 - 1396.86 Low/day: 100 - 1335.31 200 - 1392.86 † Partial

ASIA PACIFIC

Hong Kong surges 5.6 per cent as Shanghai plummets

The Hong Kong equity market surged ahead, with European and US funds said to be the main buyers in the wake of Wall Street's performance on Friday and amid relief that last week's domestic and US interest rate rise had removed a major element of uncertainty.

The Hang Seng index finished 418.88 stronger at 7,897.80 after a day's peak of 7,918.46, with hopes that further Sino-US talks, scheduled for next week, would avert a trade war. It was the market's sharpest one-day advance since May 18 last year. Turnover jumped to HK$5.5bn from Friday's total of HK$3.1bn.

Brokers noted that Salomon Brothers and Morgan Stanley were among the major buyers. Morgan Stanley said it expected to increase the weightings for emerging market equities in its global portfolio later in the day, prompting market expectations that it would double its Hong Kong weighting.

Blue chips rose across the board. HSBC Holdings gained HK$4 at HK$79.75 and Hang Seng Bank was ahead HK$2.10 at HK$44.90. Property counters outperformed the market, with the sectoral sub-index climbing 6.6 per cent.

Tokyo

Renewed interest in the reconstruction theme and arbitrage buying helped construction and high-technology stocks, and the Nikkei 225 average closed moderately higher, *writes Emiko Terazono in Tokyo*.

The index was 128.26 up at 18,667.23 after a day's low of 18,573.29 and high of 18,672.14. Shares gained in the morning session on last Friday's rise on Wall Street, while high-technology issues were also higher on arbitrage buying.

Volume came to 320m shares, against 313m. Foreign investors were buying high-technology stocks, companies were seen realising profits on holdings, and individuals bought construction stocks.

The Topix index of all first section stocks rose 6.92 to 1,455.30 and the Nikkei 300 added 1.55 at 267.47. Gainers led losers by 611 to 385, with 176 issues unchanged. In London the ISE/Nikkei 50 index firmed 3.14 to 1,191.49.

Institutional investors were realising profits ahead of the end of the financial year next March. Buying of the restoration sector has so far absorbed the selling, but some traders were cautious that share prices could lose ground once the rally in the sector fizzled out.

Construction shares rebounded: Penta-Ocean Construction, the day's most active issue, rose Y32 to Y937 and Fudo Construction, the Osaka based contractor, put on Y40 at Y1,350. Condominium developers also gained ground, with Haseko adding Y30 at Y630.

Dealers and overseas investors supported high-technology stocks: TDK rose Y90 to Y4,350 and Sharp Y40 to Y1,540. Sony, however, gave up an early rise due to profit-taking, ending unchanged at Y4,620.

Banks, which jumped last week on reports of Sumitomo Bank's bad loan write-off, were mixed. Corporate investors, trying to boost earnings for the current year, were expected to increase profit-taking of their bank stock holdings. Industrial Bank of Japan added Y10 at Y2,630 and Sumitomo Y40 at Y1,890, but Bank of Tokyo eased Y10 to Y1,470 and Mitsubishi Bank Y10 to Y2,380.

In Osaka, the OSE average firmed 145.61 to 20,516.63 in volume of 58.4m shares.

Roundup

Sharply divergent performances were seen elsewhere in the region.

SHANGHAI's A share index plunged on fears of a Sino-US trade war. The index shed 30.86 to 550.08, while the B index fell 0.689 or 1.3 per cent to 51.773.

Brokers said the drop hit an already weakened market which has seen a loss of 40 per cent since mid-September 1994.

Shanghai Forever Bicycle was the worst performer on the A market, losing 9.37 per cent at Yn6.00 in volume of 86,100 shares.

On the B market, Shanghai Hero was the biggest loser, plummeting 10 per cent to Yn0.27 in volume of 43,000 shares. Bicycles and stationery are two of the items in the US sanctions list.

KUALA LUMPUR encountered further heavy foreign buying in a continuation of Friday's 5 per cent rally.

The composite index gained 44.70 at 971.96 in volume that swelled to 245m shares from Friday's 159m.

Blue chips continued to lead the advance, while demand was also seen for stocks with strong fundamentals, including Diversified Resources, ahead 60 cents at M$5.60.

BANGKOK was supported by foreign and local institutional buying. The SET index advanced 52.35 to 1,330.42 in Bt14.4bn turnover. The finance sector was the biggest gainer and the most active, rising 7.74 per cent on Bt3bn turnover.

TAIPEI saw last-minute buying of electronics and steels push the market up. The weighted index gained 88.90 at 6,417.28, off a low of 6,298.01. Turnover was T$37bn.

Steels attracted active buying as investors believed that local demand would not be affected by a possible China-US trade war.

The central bank's announcement to further open foreign investment in the stock market also helped sentiment: the new limit on total direct foreign investment will be 12 per cent of the market's capitalisation, or around $29.75bn, against $7.5bn at present.

MANILA was encouraged by reports of lower domestic inflation. The composite index climbed 48.61 to 2,559.60 on volume of 4.12bn shares worth 1.42bn pesos. Consumer inflation fell to 6.2 per cent in January from December's 7.1 per cent .

Major gainers were Megaworld Properties & Holdings, which rose 9.46 per cent to 20.25 pesos, and Petron Corp, up 5.1 per cent to 20.50 pesos.

SINGAPORE staged a sharp rebound at the close on strong foreign buying, having been under pressure in morning trade from selling in motor, bank and finance stocks after a government move to curb car and personal loans. The Straits Times Industrial index rose 14.65 to 2,124.89, up from an intraday low of 2,086.21.

SYDNEY followed the trend, the All Ordinaries index finishing 15.2 up at 1,862.9 in turnover estimated at A$438m.

Much of the gain in the industrials sector was accounted for by a 2.8 per cent rally in the media index, stemming mainly from a buy recommendation for News Corporation (17 cents higher at A$5.53 after A$5.74) by Merrill Lynch.

BOMBAY suffered sustained selling pressure by foreign mutual funds, booking profits ahead of another round of regional elections that begin in the western state of Maharashtra later this week. The BSE 30 index lost 47.89 at 3,590.24.

Among the day's biggest losers, Reliance Industries fell Rs12.5 to Rs268.75 during a day of overseas selling into a market which saw a marked lack of local fund support.

SEOUL saw early rises cancelled by swift profit-taking and the composite index finished 6.61 lower at 945.27, off a high of 963.14, with liquidity worries still taking a toll.

THE DAY'S CHANGES

	% Change
Hong Kong	+5.6
Kuala Lumpur	+4.8
Manila	+1.9
Bangkok	+4.1
Taipei	+1.4
Sydney	+0.8
Singapore	+0.7
Shanghai	-5.3
Bombay	-1.3
Seoul	-0.7

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY FEBRUARY 3 1995 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY FEBRUARY 2 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	161.80	-1.2	153.28	101.94	128.28	142.85	-0.4	4.04	163.75	153.44	103.06	129.40	143.59	189.15	161.21	189.15
Austria (16)	163.21	-1.8	160.30	106.61	134.15	134.38	-1.2	1.21	172.30	161.44	108.43	136.15	136.01	198.89	167.46	192.38
Belgium (35)	168.63	0.0	159.76	106.25	133.69	130.56	0.2	4.23	168.82	157.99	106.12	133.25	130.23	177.04	161.53	167.37
Brazil (26)	148.24	0.9	140.43	93.40	117.53	229.06	1.1	1.14	146.90	137.64	92.45	116.08	226.46	-	-	-
Canada (103)	126.47	1.4	119.81	79.68	100.26	128.43	1.2	2.70	124.68	116.83	78.47	98.53	126.88	142.56	120.54	142.56
Denmark (33)	256.21	-0.7	242.72	161.42	203.13	209.60	-0.3	1.42	257.90	241.65	162.31	203.80	210.28	275.27	236.81	273.81
Finland (24)	188.94	1.9	179.00	119.04	149.80	167.30	2.2	0.74	185.40	173.72	116.68	146.51	163.20	201.41	133.86	155.74
France (102)	161.62	0.8	153.11	101.83	128.14	134.26	1.3	3.20	160.40	150.29	100.94	126.75	132.86	183.54	157.79	183.54
Germany (58)	141.06	0.2	133.64	88.88	111.84	111.84	0.5	1.86	140.78	131.92	88.60	111.25	111.25	150.40	128.37	136.03
Hong Kong (56)	299.77	2.2	284.00	188.88	237.68	297.62	2.2	4.20	293.20	274.73	184.52	231.70	291.07	493.01	277.40	492.63
Ireland (16)	210.11	0.1	199.06	132.39	166.59	191.22	1.1	3.33	209.89	196.67	132.09	165.87	189.13	216.60	177.58	205.05
Italy (58)	81.20	0.7	76.93	51.16	64.38	97.84	1.1	1.59	80.67	75.59	50.77	63.75	96.76	97.78	67.25	75.72
Japan (484)	145.66	-0.5	137.99	91.77	115.48	91.77	-0.4	0.83	146.40	137.18	92.14	115.70	92.14	170.10	139.45	149.78
Malaysia (97)	447.51	6.7	423.96	281.96	354.80	440.10	6.7	1.92	419.47	393.05	263.99	331.49	412.61	594.78	398.18	521.72
Mexico (18)	1092.48	2.9	1034.98	688.33	866.15	6479.97	1.6	1.58	1061.78	994.89	668.21	839.04	6378.10	2647.06	984.79	2569.30
Netherland (19)	219.80	0.5	208.23	138.49	174.27	171.50	0.7	3.37	218.81	205.02	137.70	172.91	170.32	223.30	191.28	206.98
New Zealand (14)	73.68	-0.1	69.80	46.42	58.42	61.44	0.5	4.76	73.77	69.12	46.42	58.29	61.13	77.59	62.05	77.59
Norway (23)	214.57	-0.2	203.28	135.19	170.12	194.58	0.1	1.78	215.09	201.54	135.36	169.97	194.36	216.03	177.53	203.69
Singapore (44)	347.66	-0.1	329.37	219.05	275.64	230.59	0.3	1.84	348.06	326.13	219.05	275.05	232.97	401.38	294.66	357.97
South Africa (59)	303.74	2.0	287.75	191.37	240.81	269.53	2.0	2.47	297.82	279.05	187.43	235.35	264.26	342.00	205.55	280.37
Spain (38)	132.48	0.8	125.51	83.47	105.04	133.07	1.3	4.27	131.42	123.14	82.71	103.85	131.36	154.81	124.87	159.92
Sweden (48)	240.32	0.2	227.68	151.42	190.54	266.06	0.7	1.53	239.83	224.72	150.93	189.59	264.26	242.81	196.70	228.52
Switzerland (47)	164.81	0.7	156.14	103.84	130.67	131.82	1.1	1.85	163.68	153.36	103.01	129.34	130.44	176.56	149.91	175.67
Thailand (46)	145.70	4.5	138.03	91.80	115.52	141.71	4.5	2.95	139.47	130.68	87.77	110.21	135.67	-	-	-
United Kingdom (205)	193.98	-0.3	183.77	122.22	153.80	183.77	0.8	4.21	194.66	182.40	122.61	153.63	182.40	213.66	161.11	213.66
USA (513)	196.19	1.3	185.86	123.61	155.54	196.19	1.3	2.85	193.74	181.54	121.93	153.10	193.74	196.19	178.85	196.56
Americas (862)	180.51	1.3	171.01	113.73	143.11	151.28	1.3	2.81	178.23	167.00	112.16	140.84	149.40	-	-	-
Europe (722)	169.24	0.2	160.33	106.63	134.18	149.93	0.8	3.11	168.95	158.30	106.32	133.51	148.70	177.70	160.59	177.70
Nordic (128)	231.21	0.3	219.04	145.67	183.31	216.84	0.7	1.40	230.60	216.07	145.12	182.23	215.38	233.91	197.70	220.07
Pacific Basin (809)	152.65	-0.2	144.62	96.18	121.03	100.32	0.0	1.21	152.91	143.28	96.23	120.84	100.35	176.86	145.93	162.97
Euro-Pacific (1531)	159.47	0.0	151.08	100.47	126.43	118.56	0.3	2.05	159.50	149.45	100.38	126.04	119.15	175.14	154.73	169.94
North America (616)	191.87	1.3	181.77	120.89	152.12	191.59	1.3	2.86	189.47	177.53	119.24	149.72	189.20	192.26	175.67	192.26
Europe Ex. UK (517)	152.13	0.5	144.13	95.85	120.62	129.82	0.9	2.48	151.42	141.87	95.29	119.65	128.70	158.12	144.12	154.98
Pacific Ex. Japan (325)	222.74	1.8	211.02	140.34	176.60	196.61	2.1	3.40	218.82	205.04	137.71	172.92	192.60	291.75	211.19	289.34
World Ex. US (1739)	160.13	0.1	151.70	100.89	126.95	122.76	0.4	2.07	160.00	149.92	100.69	126.43	122.25	176.65	155.42	170.83
World Ex. UK (2047)	168.66	0.6	159.78	106.27	133.72	140.86	0.7	2.16	167.65	157.09	105.51	132.48	139.85	178.59	163.46	174.59
World Ex. Japan (1768)	186.02	0.9	176.23	117.20	147.48	176.61	1.2	2.98	184.33	172.71	116.00	145.66	174.77	194.73	176.34	194.73
The World Index (2252)	170.89	0.6	161.90	107.67	135.49	144.72	0.7	2.35	170.03	159.31	107.00	134.36	143.68	180.80	165.92	178.02

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